

HOUSE OF REPRESENTATIVES

THURSDAY, MARCH 18, 1954

The House met at 12 o'clock noon.

Dr. Cary N. Weisiger, Mount Lebanon United Presbyterian Church, Pittsburgh, Pa., offered the following prayer:

Our gracious God who dwellest in a high and holy place far above the confusion of the nations and of men, we invoke Thy presence here today. We thank Thee for the blessings of this new day of life and of health and of work to do. Grant Thy spirit of wisdom and of grace to these Thy servants who are also the servants of our country. Guide them in their transactions in the midst of the pressures and haste of modern life. Give them the courage to do what they believe to be right to do. We pray for those who were recently stricken that Thou wilt grant them a full and complete recovery. Forgive our shortcomings and our transgressions. May the peace of God that passeth all understanding guard each heart and mind this day. Through Jesus Christ our Lord. Amen.

The Journal of the proceedings of yesterday was read and approved.

ADDITIONAL APPROPRIATION FOR DEPARTMENT OF LABOR, 1954

Mr. BUSBEY. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the joint resolution (H. J. Res. 461) making an additional appropriation for the Department of Labor for the fiscal year 1954, and for other purposes, with a Senate amendment thereto, disagree to the Senate amendment and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Illinois? [After a pause]. The Chair hears none and appoints the following conferees: Messrs. BUSBEY, BUDGE, TABER, FOGARTY, and FERNANDEZ.

COMMITTEE ON APPROPRIATIONS

Mr. TABER. Mr. Speaker, I ask unanimous consent that the Committee on Appropriations may have until midnight, tomorrow night, to file a privileged report on the deficiency bill.

The SPEAKER. Is there objection to the request of the gentleman from New York?

Mr. CANNON. Mr. Speaker, reserving the right to object, we are having a plethora of deficiency bills. This is the third deficiency which has been submitted to us recently. I wonder if the gentleman would tell us what is in this bill and what is the necessity for expediting its consideration at this time.

Mr. TABER. There are 2 or 3 items that are regular deficiencies like veterans' benefits and the public roads setup. I think over a long period of years those items have always had something of that character.

Mr. CANNON. Mr. Speaker, may I ask the gentleman when he expects to bring this bill to the floor and if there

will be a request to dispense with the 3-day rule.

Mr. TABER. There will be no request to disregard the rule, but we probably will not be able to take it up before Tuesday; I think perhaps we can do it then.

Mr. CANNON. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. CANNON. Mr. Speaker, I reserve all points of order against the bill.

SPECIAL ORDER GRANTED

Mrs. ROGERS of Massachusetts asked and was given permission to address the House for 5 minutes today, following any special orders heretofore entered.

THE HONORABLE LOUIS E. GRAHAM

Mr. SIMPSON of Pennsylvania. Mr. Speaker, I ask unanimous consent to extend my remarks at this point.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. SIMPSON of Pennsylvania. Mr. Speaker, I should like to direct the attention of our colleagues to the following editorial which appeared in the January 11, 1954, issue of the News-Tribune, Beaver Falls-New Brighton, Pa.:

WE ARE FORTUNATE IN HAVING MR. GRAHAM AS OUR REPRESENTATIVE IN CONGRESS

LOUIS E. GRAHAM, now representing the 26th Congressional District of Pennsylvania, comprising Beaver, Butler, and Lawrence Counties, is a must for a return to the lower House of Congress. Mr. GRAHAM is nationally recognized for his ability, and it would be to the lasting discredit of this district not to return him for another term. He is now the top-ranking member of the Judiciary Committee of the House of Representatives, and this committee is one of the most powerful in the entire congressional setup. Not only is Mr. GRAHAM's outstanding ability acknowledged by his fellow House Members, but he has on a number of occasions been called into conference on legislative matters by President Eisenhower. Both Republican and Democratic Members of the House from other States frequently call upon Mr. GRAHAM for sound advice on legislative matters. He is highly respected by congressional leaders for his vast knowledge of law and his wise and judicial advice. Only a man who has served long years and has gained through experience a vast and understanding wisdom would his fellow lawmakers come to share in this valuable and wide knowledge.

Mr. GRAHAM is a serious-minded public official, always interested in the general welfare first of the Nation and of the district he so ably represents. He is not easily swayed by pressure groups only interested in their own selfish gains. He is and has always been willing to assist in individual and group problems where they do not conflict with the interest or welfare of his district as a whole.

He is on the job day in and day out, and holds one of the best records in Congress for his attendance at all sessions. He is no absentee or cloakroom politician. He has the courage to be on hand to face all issues. He is a good Congressman by any standard of measurement. His record is one that his district can well be proud of and it is such that we again repeat that he should be re-

turned to office this year to be our Congressman.

This is going to be a critical year in some respects in our Nation's history. We will need men in Congress that have the experience, have personal courage and fortitude, possessing a keen foresight that they may well help the President to chart a course for the ship of state for the trying periods ahead. Right now with Mr. GRAHAM in Congress, the 26th Congressional District of the Keystone State can be assured that we as citizens of this great country can rest assured that the charted legislative course will be one of general benefit to all. Mr. GRAHAM will do his part well and with honest sincerity of purpose.

JOE MARTIN, the astute Speaker of the House of Representatives, has labeled Mr. GRAHAM as one of the top Members of the House, and on a number of occasions has called upon him to fill in as Speaker. What more admirable recommendation could the people of this district want as to his high place in Congress. Let us keep him there as our able Representative.

INTERNAL REVENUE CODE OF 1954

Mr. REED of New York. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. REED of New York. How does the time stand for general debate on the tax bill?

The SPEAKER. The gentleman from New York has 1 hour and 37 minutes remaining; the gentleman from Tennessee [Mr. COOPER] has 1 hour and 48 minutes.

Mr. REED of New York. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H. R. 8300) to revise the internal revenue laws of the United States.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H. R. 8300, with Mr. WILSON of Indiana in the chair.

The Clerk read the title of the bill.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from Pennsylvania [Mr. GRANAHAN].

WHAT ABOUT RESTORING PRODUCTION IN THE PLANTS WE HAVE NOW?

Mr. GRANAHAN. Mr. Chairman, the tax bill before the House is the size of Gone With the Wind, but the average taxpayer could look through every one of its 900 or so pages and not find a single thing in it which would benefit him in any way.

He will still have a tough time paying his taxes if this bill passes in its present form, for there is not anything in it which makes that ordeal any easier. He does not own any stock to speak of, so he cannot benefit from the dividend feature, and he is not in a position to claim depreciation so he gets nothing out of that provision either. He collects his paycheck and pays his tax and no one in authority in the administration has any hopeful word for him when he can expect to have some of that tax reduced—particularly since the well-to-do are getting all sorts of special privilege concessions out of this bill.

I am thinking of another type of citizen, too—the fellow who has lost his job in the plant or factory or the store, and who is living on unemployment compensation if he can qualify for that. Our navy yard workers in Philadelphia who lost out on jobs under the Eisenhower defense cuts don't qualify for unemployment compensation, so they are even worse off.

THE BIG QUESTION

What they are all puzzled about, Mr. Chairman, is that this voluminous tax bill of 900 pages seems to be full of particulars and specifics designed to encourage industry to expand its production facilities and investors to turn more of their savings into capital expansion.

They are puzzled, Mr. Chairman, because here we have some of the finest, best equipped, most efficient productive capacity in the world standing idle, and some more equally efficient working at reduced capacity, because there is not enough business to keep it occupied full time.

That is why a lot of these people are out of work in the first place.

They ask: Why just worry about expanding productive capacity? Why not do something about restoring production in the plants we now have?

Of course, as the President said, business activity is now at high levels—but is it in any way at all a high enough level? Can we be satisfied with a partially occupied economy and a partially employed population? Have we abandoned the policy of seeking and promoting full employment?

WHAT BUSINESS WANTS AND NEEDS IS CUSTOMERS

If we want to do business the biggest favor we could possibly do for it, we should change the emphasis in this tax bill to provide relief for the average taxpayer—allow him more take-home pay which will be store-spent pay, so that he can live decently and buy the things his family needs and wants. Business will then have all the business it can handle; it will gladly expand whether we give it special tax incentives to do so or not. Industry will not shy away from adding to its production if it can see more sales at the other end of the assembly line. Even with the excess profits tax in effect—and that took a big bite from some firms—business was mighty happy to expand under the last administration because people had the money to buy the products of industry and were buying those products at record rates. Now, without an excess-profits tax, business would make out even better if the people were able to buy.

DEMOCRATIC PROPOSAL WILL BENEFIT ALL THE PEOPLE

With those thoughts in mind, Mr. Chairman, I will join wholeheartedly with the Democratic leadership of the House in voting to recommit the tax bill with instructions to revise it in order to provide tax relief to the people who really need it. I will support the proposal on our side of the aisle to raise exemptions to \$700 per person from the present \$600.

The President said in his television speech Monday night that this was no

good—that it would remove some families from the tax rolls. Mr. Chairman, I cannot get very upset over the fact that a man with two children would thus be relieved of paying Federal income taxes on a \$2,800 income, or one with three children would also be dropped from the tax rolls if he had \$3,500 in income.

Do you know families of such size trying to live on such incomes? Do you wonder how they do it? And yet they have to pay \$20 in Federal taxes out of every \$100 they earn over their exemptions and deductions.

I don't go along with the President that it is un-American for people like that not to have to pay Federal income taxes. Try living on their incomes, with their obligations and expenses, and see what it is like, with prices and rents still rising.

I think it is more American to see that the average citizen and taxpayer gets a break, rather than to give tax gifts to the wealthy.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from Michigan [Mr. MACHROWICZ].

Mr. MACHROWICZ. Mr. Chairman, I rise to express my wholehearted support for the motion which will be made, after closing of debate, to recommit this bill to the Ways and Means Committee with instructions to increase personal exemptions for income-tax purposes from \$600 to \$700, and to eliminate the so-called dividend tax credits now contained in the administration bill.

I am of the opinion that the personal exemptions could well be increased still more without adverse effects to our budget, providing we plug up some of the loopholes now existing in our tax laws, and eliminate some of the relief now enjoyed by corporations and by taxpayers in the higher brackets. As a matter of fact, immediately after the opening of the 1st session of this 83d Congress, I introduced, on January 9, 1953, H. R. 1400 to increase these exemptions to \$1,000.

Mr. Chairman, 80 percent of all American taxpayers have incomes of less than \$5,000 per year. Under the present bill, this 80 percent of all the taxpayers would get only 6 percent of the tax relief. The entire balance of 94 percent would go to the 20 percent of the taxpayers in the higher income bracket and to corporations.

This does not appear to me to be equitable, nor does it serve to help get us out of our economic doldrums. What this country needs more than anything else today is a boost in consumer purchasing power and not an expansion of our production, which already has exceeded by far the consuming power because of the fact that low-income families are now overtaxed.

The proposed increase of personal exemptions will put a few sadly needed extra dollars in the weekly pay envelopes of the average worker. This will stimulate sales and eventually bring back prosperity to all.

The way to build a structure is from the bottom up and not from the top

down. The way to bring fair tax relief also is to cut taxes, not by beginning with those at the top of the economic ladder, but by those at its bottom.

Those who oppose increases of the tax exemptions shout that it would be unfair to not permit the low-income group to share with the wealthy in assuming the burden of our national debt. I think they have carried more than their share of the burden. It is about time they received some of the relief. Those in the higher income brackets should certainly not object to their less fortunate fellow citizens sharing in the tax relief which this Congress intends to give the people of our country. We must take cognizance of the fact that recovery from the economic decline can best be encouraged by a balanced combination of incentives to consumption and incentives to business enterprise. Adequate consumer demand is a prerequisite to continued investment, and this aspect of the problem has not been given proper attention in the bill before us.

Now, you who may say that a \$100 tax exemption will not amount to much to one individual. Yet to the average family it may mean that the new refrigerator that was not purchased can now be had, that old washer can be now replaced by a new one, the children can get new clothes and shoes, an additional payment or two can more readily be made on the car, or a new television set can be installed in a home, and the medical bills can be taken care of more easily.

Multiply that by the many thousands that will be able to do these things and you get a result of higher production by the manufacturers to replace these goods taken from the shelves and floors of the salesrooms. In that way everybody benefits to the best interests of the country.

Relief to a relatively few will not recirculate the additional money available into the proper channels. What is the need for a corporation to expand its facilities, because of the additional relief it may get, if the merchandise it may produce does not get into the hands of the buying public?

I hope that this bill will be recommitment to the Ways and Means Committee with the instructions that the personal exemptions be raised to \$700.

Mr. COOPER. Mr. Chairman, I yield 10 minutes to the gentleman from Missouri [Mr. CANNON].

Mr. CANNON. Mr. Chairman, I am in favor of tax reduction. I think there can be no Member of the Congress on this floor or on the floor of the other body, who has been or is today more emphatic and insistent in his advocacy of appropriate tax reduction.

Both political parties, in their platforms, and every Member of the House and Senate, collectively and individually are committed to tax reduction; have pledged themselves directly or indirectly, to their various constituencies to retrench expenditures, to balance the budget, to lower the national debt and to reduce taxes, especially to reduce taxes.

Notwithstanding these assurances we have not balanced the budget. We are every day consistently spending more than we take in. The national debt is growing steadily, and we are now asked to raise the statutory ceiling on the debt so that we may increase it instead of decreasing it.

Mr. Chairman, I am in favor of lower taxes, not only because we have promised it but because it is imperative if we are to avoid financial and economic catastrophe.

But for everything under Heaven there is an appointed season and an appropriate time. "There is a time to weep and a time to laugh. There is a time to mourn and a time to dance." There is a time to levy taxes and a time to reduce taxes.

And this is not the appointed or appropriate time to reduce taxes.

Never before in the history of the Republic, since Hamilton took office as the first Secretary of the Treasury, have our national finances been in such desperate straits. And the situation grows daily progressively worse.

I daresay a majority of the Members of the Congress are on the boards of directors of hometown banks. There are Members of the Congress who are serving today on the boards of directors of some of the greatest banks in the United States. There are many more Members who like myself are on the boards of various small country banks of such limited capacity and resources as to require minute scrutiny of every application for credits and discounts. But there is not a Member here serving on the board of any bank, large or small, who, if the United States were a corporation or an individual, applying for a loan of \$5 or \$5 billion, would not immediately upon the submission of its statement of financial worth, demand that the applicant immediately come in and start payment on its obligations and promptly and drastically curtail its overdrafts of deficit spending.

And that is what we should do here today. We should provide irrevocably—in this bill or in the next germane bill enacted—that the first \$5 billion paid into the Treasury of the United States each fiscal year should be applied as a payment on the national debt. That should be the minimum. Even at that pitiful rate of payment it would require 55 years to liquidate the debt. It would be the year of our Lord 2009 before the last of the bondholders were paid in full. And unless some steps are taken—and taken soon—the bondholders will eventually find themselves with these beautifully engraved certificates fit only to be used as wallpaper along with similar certificates issued by fly-by-night goldmine promoters and duster oil stocks.

Mr. Chairman, these are times of peace, such as we had from the close of the Second World War in 1945. Let us look at the record of those years. In 1946 we took in \$45 million more than we paid out. In 1947 we took in \$5 billion more than we paid out. In 1948 we took in \$6 billion more than we paid out. In 1950 we took in \$450 million more than we paid out, and in 1951 we took in over

a billion dollars more than we paid out. But today, with no all-out war, and with the highest national income and highest Federal revenues in history we are spending vastly more money than we take in.

Notwithstanding all our pledges to balance the budget, we are not balancing the budget and there is no prospect that we will balance even next year's budget. At the close of the World War in 1945, the national debt stood in round figures at \$279 billion. We steadily reduced that debt until at the close of 1952 it had dropped to approximately \$267 billion. Today they are clamoring to raise the legal debt ceiling of \$275 billion. Instead of retrenching expenditure and balancing the budget and reducing the national debt they propose further deficit spending, and an increase in the national debt, and a corresponding reduction in the buying power of the dollar.

Now, Mr. Chairman, I want to ask a very serious question. And the country is entitled to an honest answer. If, with the revenue coming in from all these taxes, we can't pay expenses and balance the budget and hold the national debt down to where it is now, how can we hope to pay expenses and hold down the national debt and keep the dollar at its present value, when we cancel these taxes, and all this revenue we have derived from these taxes stops coming in? That is the one question before the Congress and the country today.

And twisting statements of facts will not help the situation. It was astonishing to hear on the floor recently—after repeated and complete disapproval in former sessions—the claim that the 80th Congress balanced the budget. Nothing could be further from the facts. We went in the red in the Hoover administration. We took over the Government in 1933 still in the red. We turned it back in 1948 in the black. The budget was not balanced by the 80th Congress. If anyone has any apprehension of misgivings on that score they have but to turn to table 5, on page A10, of the budget submitted in 1948. It is there in black and white.

But, Mr. Chairman, this is not a simple matter of political or partisan issues. It is a matter fraught with the most serious consequences. We are engaged today in a cold war of extermination. It is a battle for survival. It is nonetheless awesome because it is an economic war. Because if we lose the economic war, we have lost the military war. Stalin sat by waiting for us to spend ourselves into bankruptcy and then expected to take us over without a blow. This bill, reducing the national revenues, accelerates our rate of speed on the downgrade to the very situation for which he was waiting.

This bill is a bill to reduce national revenues, a bill to defer indefinitely hope of balancing the budget, a bill to increase the national debt, a bill to further decrease the purchasing power of the dollar, a bill to forfeit the confidence of the investing public.

Mr. Chairman, let me appeal to sound business commonsense. Let us refuse to spend more money than we take in. Let

us retain sufficient taxes to pay our way. Let us insist on the adoption of some orderly method of servicing the national debt that will bring our bonds back to par. While we continue to negotiate with every form of foreign banditry, let us pay our debts and keep our powder dry.

Mr. COOPER. Mr. Chairman, I yield 20 minutes to the gentleman from Louisiana [Mr. Boggs].

Mr. BOGGS. Mr. Chairman, you will note by referring to the minority report that I have dissented from my colleagues in the minority on the question of dividend credit. I feel now and have felt for a long time that this is an area of double taxation which should be corrected. As far as I know it is the only such area in the whole field of Federal taxation.

I feel that our motion to recommit should not have included the provisions striking out the dividend credit, but should have been limited to the one matter of an increase in exemptions. Both proposals are fair and equitable; both can be adopted with the loss of much less revenue than the proposal by the distinguished tax expert from Georgia, Senator GEORGE, of increasing exemptions to \$800.

But I do not have the privilege of offering the motion to recommit. As offered I will be forced to make a choice as will every other Member of this body. I offered the motion in the committee to increase the exemptions from \$600 to \$700. The exemption, of course, applies to every man and woman in the United States, and I shall naturally vote for it.

It is my conviction, however, that the dividend credit will prevail. It is probable that before this bill has completed its legislative journey it will contain an exemption increase of \$100 as well as the dividend credit.

I have, of course, followed this debate, both in this Chamber and in the press, on television, and elsewhere. It seems to me that there are only two points involved.

The No. 1 point—and it was stated here yesterday by the gentleman from Virginia [Mr. SMITH]—is whether or not there should be any tax reduction at this time. No. 2, if it is determined that there should be, what type of tax reduction should we give the American people at this time in the light of existing economic conditions?

It seems to me that the first decision has been made by this administration; the decision in response to question No. 1. The Secretary of the Treasury, Mr. Humphrey, in endorsing this bill, has recommended tax reduction. Whether he was wise or unwise in doing so, I am not prepared to say. I do agree with the gentleman from Missouri [Mr. CANNON] about the deficit situation in our country, and I think that the figures he mentioned are very interesting and I intend to dwell on them in a few minutes. But what we are here confronted with is a recommendation by this administration for tax reduction.

It is an interesting recommendation, because it is the first time we have had a tax-reduction bill before us when we

have had an unbalanced budget. And despite all of the criticism, and all of the propaganda that was directed against John Snyder when he was Secretary of the Treasury, at no time in his administration did he fail to recommend to the Congress of the United States and the people of the United States, a balanced budget. Sometimes he did not get a balanced budget, for a variety of reasons. In 1949 he did not get a balanced budget, although we had an \$8 billion surplus the year before. He did not get a balanced budget because this Congress passed a tax-reduction bill. But even then he only had a deficit of a little over a billion dollars. So the situation was not too bad. Even then he came in and said, "In order to balance this budget I recommend such and such a program." We turned it down. So, as far as I know, this is the first time, certainly in the modern history of the United States of America, when we do not have recommendations coming from the chief fiscal officer of the United States for a balanced budget.

It seems to me that the decision has been made. The decision has been made to continue deficit financing. And if that be the decision, then it seems to me that it is incumbent upon us to examine what type of tax relief is, first, fair and equitable; and, secondly, what type of tax relief can do the most good under existing economic conditions in our country.

I know that there is a feeling that has grown up—and maybe it is the result of some sensitive hides—that one is not even supposed to talk about economic conditions. There is also a feeling that the way to handle economic conditions is by a sort of "pollyannaish" approach. Put a smile on your face. Be happy. It reminds me of a club where everybody is supposed to be happy all the time. I guess if you walk down the street and get hit over the head by something falling off a building, you are still supposed to smile.

I just do not believe that you handle a situation by attempting to ignore it. A reasonable man, if he develops symptoms of some type of ailment, does not say to himself, "This is all imaginary. I will get over this if I just grin and bear it." His normal inclination is to go to a competent physician, take a prescription, and remedy his condition.

So let us look at the economic situation.

Let me read from the report of the Joint Committee on the Economic Report. This is a committee set up by act of Congress, by both bodies, to study the economic well-being of our Nation. It calls before it the leading economists from all over America, from all segments of our society, and it takes their testimony. It calls before it all of the responsible Government agencies and all the responsible representatives of business and agriculture.

Let me read just a paragraph under the subtitle "Economic Developments of the Past Year." This is what the Joint Committee states:

Unemployment, however measured, has increased. Industrial production has fallen off, especially in recent months.

Mind you, this report was issued prior to the release of the statistics for the month of January 1954 showing that unemployment had increased by over one million in the month of January 1954. This report predates that information.

Quoting further from the report:

We have passed from a period of inventory accumulation to a period of inventory liquidation. Farm income, which affects a large segment of our people directly, has declined with inevitable adverse effect upon those whose prosperity is indirectly connected with agricultural conditions.

Reading further on page 5, the report states this:

The recent decline in economic activity has sometimes been characterized as an inventory adjustment and has been in this respect likened to the economic adjustments experienced in 1949.

It would be a mistake, we believe, to conclude from any superficial similarity between the two views that similar forces can be wholly relied upon in the present situation to bring about the desired stabilization and growth. The slackening of business activity in 1949 came at a time when the tremendous backlog of automobile, housing, and consumer durable demand inherited from the period of wartime restrictions was still largely unsatisfied. The current situation differs in that much of the compelling drive inherent in this type of pent-up demand is no longer present.

That is kind of fancy language, but what does it mean? It means that in 1949 when we had a dip that there was still a tremendous demand for consumer goods and that the people had the money with which to buy them—automobiles, refrigerators, television sets, radios, consumer goods generally like furniture and all of the other things that contribute to our higher standard of living, and which give employment and prosperity to our people. But, what does the economic report say now? It says:

The current situation differs in that much of the compelling drive inherent in this type of pent-up demand is no longer present.

Where does that lead us in this debate on taxes? It seems to me very simple and very logical. The whole public works program which could be started tomorrow involving highways, hospitals, flood control, reclamation, public buildings, and all the rest of the work totals about \$2½ billion. All of you know that that program in order to get under way involves the letting of contracts and the drawing of plans and specifications, the acquiring of rights-of-ways, and completing all of the complicated legal preliminaries necessary to any public-works program. You know how long that will take. But, even if you started every one of them—all of them—you would end up with a total of \$2½ billion. What does this bill do? If you adopt the increase in exemptions, you channel into the consuming economy of the American people \$2½ billion immediately, and you channel those funds to men and women who will spend them. I believe in savings. I thoroughly appreciate the necessity of having investment capital and savings. As a matter of fact, I supported some measures on this committee that some of my good friends on the Republican side did not support.

I supported a motion on capital gains, for instance; but the point is that what we need to do—and the best evidence I can give you is the Joint Economic Committee, made up of this body and the other body—what we need today is more purchasing power in the pockets of the American people.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. BOGGS. I yield to the gentleman from Iowa.

Mr. GROSS. The gentleman has mentioned the capital-gains tax. Is it the same as it was under the old law whereby the farmer must hold his breeding stock for 12 months, yet the speculator could obtain the benefit of the capital-gains tax in 6 months?

Mr. BOGGS. The capital-gains structure, as I understand, is essentially the same, sir. I know of no particular change in it.

So, No. 1, here is a measure which channels into a declining economy, at a time when the economy desperately needs it, \$2.5 billion, the equivalent of every project of public works in this whole United States.

Let us look at it now for a moment from the point of view of equity and justice; after all, they are pretty important considerations, and I think we all pride ourselves in attempting to do equity and to practice justice. What is the equitable approach to this problem? What is the fair approach to this problem?

The cost-of-living index last month went up again. I have heard all about this sound dollar. My good friend, the former Speaker, has called it the hard dollar, which I am inclined to believe is a much more apt description of it. But what is really happening is that the dollar continues to decrease in value and the cost of living continues to increase. The dollar today is worth less than it was when the majority party took over this Government. The cost of living today is higher than it has ever been in the whole history of the United States of America. But the net income of the working people is down; the net income of the farmer is way down. When you take a look at the whole economic picture, when you calculate the amount of overtime the people do not get any more, and when you take into consideration the night shifts and other shifts that have been discontinued by industry all over this country, the decline in income is almost frightening.

Where does that leave us? That leaves us with a proposition which says in effect that we recognize that it is impossible for a man and a woman to sustain a child for \$600 a year—and we recognize the equity of it—we say that for each member of your family you will get an additional exemption of \$100 across the board; if there be 1, \$100; if there be 3, \$300; if there be 5, \$500; if there be a dozen, \$1,200. It is fair, it is equitable. It takes into account the ever-increasing cost of living, and, unfortunately, a dollar which has become hard but not sound.

So, Mr. Chairman, it seems to me, in summary, the decision having been made to reduce taxes; that by every barometer

we are in a recession; that by the testimony in our own body and the other body, working jointly; that by the testimony of economists who know, the way to stimulate this economy and give it life and get it back on the track is by increasing the buying power of the consumer. And, finally, in the examination of a tax proposal, the fair, equitable, decent approach is by giving relief to the people who need it most.

Mr. REED of New York. Mr. Chairman, I yield such time as he may desire to the gentleman from Ohio [Mr. McGREGOR].

Mr. McGREGOR. Mr. Chairman, it is to be regretted that H. R. 8300, a bill to revise the internal revenue laws, seemingly has become a political issue. I note this morning in the Washington Post-Times-Herald, an independent liberal paper, an editorial, and I quote:

It is unfortunate that the prospect is for almost a straight party vote when the tax revision bill comes up in the House today. Apparently it will be in a partisan framework, rather than on economic merit, and the Democratic amendment to raise income tax exemptions and kill dividend relief will be considered. This is a sorry basis on which to decide an issue that has a grave bearing on the President's program to stabilize the national economy.

I think many people have the wrong impression relative to what the increase for dependency allotment really means. If the amendment offered by the opposition is accepted, increasing from \$600 to \$700 dependency exemption, it would only mean approximately 30 to 40 cents per week for each worker. I feel certain the people I represent would much rather have a reduction in taxes on theaters or amusement admissions, telephones, transportation, leather goods, including women's purses, and other excise taxes than they would to have the meager 30 cents a week reduction on income taxes. If we accept the amendment four or five million people are not going to have to pay any income tax at all.

Mr. Chairman, it has been admitted that the move of the opposition to raise exemptions is political and I am sure the people I represent do not want politics to enter into a tax program. I am of the firm belief they are intelligent enough to analyze the situation and realize it is better to leave the exemptions as they are now with all of us paying our proportionate share of the taxes.

I repeat, let us all assume our just and rightful share of the tax burden and the responsibility of our citizenship in maintaining our freedoms.

Mr. REED of New York. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. JAVITS].

Mr. JAVITS. Mr. Chairman, while I recognize fully that the pending tax bill seeks a complete revision and overhaul of the tax laws and that all authorities agree that this revision is needed, it is nevertheless essential that this overhaul should not be used as a means for carrying out any unfair tax policy. Equally it would not be right to jeopardize the financial standing of the Government and its capability to stop a threatened

recession and the way in which the minority proposes to do by its motion to recommit. I do not believe in vindictiveness in legislation or that two wrongs make a right.

The bill in its proposal to permit deductions from taxation on account of dividends on the ground of double taxation—once to the corporation and once to the dividend recipient—standing alone benefits solely stockholder and not the nonstockholder income groups. This seems to me to make the bill objectionable. To balance this I favored an added \$100 income-tax credit for each dependent which would have cost an estimated \$850 million a year in taxes. But the minority is proposing a \$100 addition to all personal exemptions which will cost almost \$2,500,000,000 a year in income taxes. This would be a major dislocation of the financial status of the Government, doubling the anticipated deficit this year. The Government is certainly being run more for getting the most out of each dollar now than for 20 years before. There is already pending an excise-tax reduction of approximately \$900 million which I favored to help consumers, which will further increase this deficit and I do not believe that as a responsible Member of Congress I would have any right to increase it yet further under present conditions.

We are told that an emergency exists in unemployment justifying this action, the last figures on which showed 3,671,000 unemployed. I am deeply concerned about this unemployment and want to do everything I can to cut it down. And my attitude is quite apart from the argument which is made that there is still less unemployment than we had in 1950 and that our economy is running at a very high rate of prosperity exceeded only by 1 or 2 years in our history.

The question is will \$100 additional exemption make a material difference in the general economic condition of the country or will it cause far more harm than good by putting us further in the red and making it more difficult for us to take really major steps to halt a recession if the next few months indicate that we are facing it. It is to be noted that the \$100 additional personal income-tax exemption causing a loss of approximately \$2,500,000,000 of taxes is under 1 percent of the national income of over \$280 billion and means a very tiny weekly amount to most taxpayers. In addition, it would take some millions off the income-tax rolls altogether and certainly the greater number of millions who will be left on the tax rolls ought to think about that. As I will be here in the Congress right along seeking boldness, initiative, and expenditure in what I consider to be the paramount interests of the American people in terms of national security, housing, a national health program, expanded social security and unemployment insurance, modern national defense, foreign military, economic and technical assistance, increased aid for schools, roads, and hospitals, immigration and liberalized foreign-trade policy, how can I now take steps which will reduce rather than fortify the ability

of the Government, financially, to meet these needs?

It is interesting from my mail to read how an approach of strict political expediency such as is proposed by the minority breeds its own evils. My mail shows that the increases in exemptions are bid on and up to \$1,000 and more, proposals which would literally make it impossible to maintain our national security or operate the Government; yet, this is exactly what happens in such a situation once bidding starts with tax cutting for political advantage.

My decision is not made any easier by the fact that the bill before us contains some very attractive provisions which I have myself sought for some time exempting some amount of annuities from taxation, dealing realistically with the earnings of college students who are dependents, giving increased deductibility for medical expenses, deductions for working mothers, and other items. Much as I should like to see these provisions enacted I have no opportunity for offering amendments to delete the objectionable provisions which this 820-page bill also contains, under the procedure on this bill or in voting on amendments and therefore must vote on the measure as a whole in all good conscience as I see its effects as a whole.

All my constituents know that I have a deep feeling of obligation and responsibility in my work here and in the votes which I cast. I have studied the questions involved in these votes very carefully and have tried to inform myself on just where we stand economically and just where we are likely to go. I know that the people in my district are people of modest income. I know them well and know they could very well use the extra pocket money which would accrue from an additional \$100 of personal income-tax exemption. I know, too, that they love their country and put national security above every other consideration and they trust me to represent their best interests both for today and tomorrow. It is with that obligation so much in mind that I have decided I must vote against the motion to recommit and against the bill.

Mr. REED of New York. Mr. Chairman, I yield such time as he may desire to the gentleman from Illinois [Mr. JONAS].

Mr. JONAS of Illinois. Mr. Chairman, the tax bill now before the House, H. R. 8300, to revise the internal revenue laws of the United States, truly is a measure of monumental proportions. It is a product of the best brains available in this country to deal with the necessity of bringing order out of chaos in our Federal tax structure. Furthermore, it is the result of more than a year's work by the Ways and Means Committee and its able staff.

Owing to the vast complexity of the bill, and the seemingly endless number of detailed terms and conditions—filling as they do, a large volume of 875 pages, it is difficult, indeed, for anyone to familiarize himself completely with its provisions. To do so simply would take more hours of close study than possibly could be devoted to it by Members of

Congress charged with duties relating to other legislation.

Nevertheless, Mr. Chairman, I have spent many hours in reading and thinking about this bill. And as I have said, it is a product of those best qualified to handle matters pertaining to Federal taxation. They have labored long and hard, in an earnest attempt to serve the best interests of all Americans in this respect.

As a result, then, of my own efforts to absorb the essential provisions of H. R. 8300, and of my confidence in the good judgment and integrity of the Ways and Means Committee members, I have concluded that this is a good bill.

It does eliminate many inequities as to the various categories of taxpayers. And it does in large measure, by reason of its fairness, impose the tax burden as lightly as may be, on the shoulders of those who in the end must pay all the costs of government.

But let me hasten to add, Mr. Chairman, that no tax bill, however well conceived and however well drawn, is going to please everyone. That, however, is a condition which must be endured. Whether all are pleased or not, the deciding factor must remain the beneficial effect of the measure upon the welfare and prosperity of the American people, and upon the national economy. I believe that this bill should meet this requirement.

According to the committee figures, H. R. 8300 in effect will hand back to consumers, and not to corporations, about \$778 million out of total tax savings amounting to approximately \$1.4 billion. But this \$1.4 billion loss in Federal tax revenue will be almost entirely made up by the \$1.2 billion in revenue gained by extending corporate income taxes at 52 percent, instead of permitting them to fall to 47 percent, as the present law requires.

When this \$778 million of funds, made available for expenditure by the taxpayers, presumably for consumptive purposes, is added to the approximate \$1 billion excise-tax reduction bill, which was passed by this body last week, and to the \$3 billion provided by the personal income-tax reduction of 10 percent effective this year, it appears that the taxpayers may be better off by at least \$5 billion. At the same time, Federal Government spending this year has been cut by about \$6 billion.

But there are many, Mr. Chairman, who profess to believe in this election year, that Federal tax relief as outlined above, amounting substantially to all that is being saved through sensible reductions in the budget, is not enough. They assert that further relief is necessary, to stimulate consumer purchasing, in order to avert an economic recession. In view of these imaginary fears, they want to increase personal income-tax exemptions from the present \$600 now, to \$700.

In view of the fact that wasteful Government spending in the past, and the necessities of national defense today, probably will cause a Federal deficit of approximately \$3.2 billion in the present fiscal year, and a further deficit of about \$2.9 billion next year, it seems to me that

an increase of personal income-tax exemptions at this time might easily prove disastrous.

To increase those exemptions by \$100 would cost the Government at least \$2.5 billion in revenue, and would benefit the average wage earner by only about 45 cents per week. To increase the exemptions by \$400 to \$1,000 would cost the Government at least \$9 billion in tax revenue. Piling revenue losses like these on top of those already in process of being authorized, in my opinion, might well destroy the American economy.

Now, in order to show the true situation with respect to personal income-tax exemptions, and to reveal the real attitude of those who now would increase exemptions, although they failed to do so over many years when they were in power, let me quote a few figures.

In 1925, a Republican Congress set personal income-tax exemptions at \$3,500 for a married couple, and \$1,500 for a single person. In 1932 a Democratic Congress reduced the exemptions to \$2,500 and \$1,000. Thereafter they were reduced until in 1944 they stood at \$1,000 and \$500. In 1948 a Republican Congress raised the exemptions to \$1,200 and \$600, with an additional exemption of \$600 for persons over 65 years of age and for the blind.

When all of these things are considered, Mr. Chairman, it seems to me that the time to further increase personal income-tax exemptions will come only after a Republican Congress has cut Federal spending to a point where such tax relief may be granted without wrecking the national economy, and hence wrecking the happiness and prosperity of the American people.

Mr. REED of New York. Mr. Chairman, I yield such time as he may desire to the gentleman from Oregon [Mr. ANGELL].

Mr. ANGELL. Mr. Chairman, this bill for tax revision now under consideration is one of the most important, if not the most important, bill that will come before us this session. It is a complete revision of the code having to do with taxation and has been the subject of consideration by the Ways and Means Committee for many months. It was, indeed, a stupendous task for the technical staff and the committee to give consideration to the thousands of tax provisions in our code which has grown up through the years. It has been almost a half century since such a revision has been made.

Unfortunately, however, there are a few provisions in the bill which do not have to do with tax revision and which, in my best considered judgment, are unsound and should be taken from the bill before it becomes a law. For that reason, I find it necessary to vote to recommit the bill in order that the bill may be corrected in this respect. To recommit the bill merely means that the obnoxious portion will be stricken and the exemption allowed taxpayers raised from \$600 to \$700. As we know, the bill immediately comes back with those changes and, when passed, goes to the Senate for its consideration.

The obnoxious provision, in my judgment, is the so-called double-dividend

provision which gives special consideration to taxpayers whose income is received from dividends rather than personal services. This provision falls heaviest on low-income groups and benefits taxpayers with large incomes from dividends. If a taxpayer received \$4,000 from his personal labors, his earned income is taxed \$240, and another taxpayer who receives the same amount from dividends pays only \$120. That is certainly unfair.

Under this provision in the first year of operation \$50 of the dividend income would be excluded from gross income and a credit of 5 percent of the remaining income would be allowed against the tax in most cases. In the second and subsequent years, \$100 would be excluded from income and a 10-percent credit against tax would be provided in most cases. This provision would benefit only 8 percent of American families, since 92 percent receive no dividend income. Of the 8 percent affected, six-tenths of 1 percent own 80 percent of all publicly held stock.

Eighty percent of all taxpayers have incomes of less than \$5,000 a year. These taxpayers received, in 1950, less than 11 percent of all dividend income. Persons with incomes of \$10,000 or more, 4 percent of all taxpayers, received almost three-fourths of all dividend income in 1950. Persons earning \$25,000 or more, eight-tenths of 1 percent of all taxpayers, received more than half of all dividend income. When we consider the fact that persons in the low-income group, \$5,000 and under, individually, receive very little dividend income, we can see that the dividend provision will mean little to them. It is estimated that under this provision for the fiscal year 1955 the Treasury would lose \$240 million and in 1956, \$642 million, and when in full force and effect \$814 million annually. It is clear that when we keep in mind only 4 percent of the people of the United States own publicly owned stock, only a few selected individuals will benefit from this tax reduction. While it is a laudable endeavor to avoid double taxation it is impossible to perfect any tax scheme that will in all cases prevent double taxation. There are dozens of taxes going into the production of a loaf of bread and every taxpayer who buys a loaf is helping to pay the taxes, which are not only doubled but pyramided.

As a substitute for this provision in the bill, the personal exemption should be increased from \$600 to \$700 which it is estimated would result in a loss to the Treasury of \$2.4 billion or thereabouts but which would furnish purchasing power to low-income groups. As it will be noted a considerable portion of this is made up from the elimination of the dividend exemption provision and the rest can easily be made up from the reduction of the overall expenditures of the Government. Ex-President Hoover has said that \$7 billion can be cut from the budget without crippling essential activities. When we consider that the expenditures aggregate some \$70 billion or more, it is at once apparent that with the elimination of waste and extravagant expenditures this loss from raising the tax exemptions can easily be taken

care of without interfering with the budget.

It has been the policy of our tax experts down through the years to allow personal exemptions to taxpayers in the low-income groups particularly, which will help them to meet their essential living expenses. This is shown by the increased exemption to married persons

over single persons and the exemption for dependents. Originally these exemptions were \$3,000 for single and \$4,000 for a married person, but through the war years the demand for more taxes brought about the gradual reduction of the exemptions until they reached a minimum of \$500 for a single person and \$1,000 for a married person. However, in

the 80th Congress, under the Republican administration, for the first time the exemption was raised to \$600 for a single and \$1,200 for a married person, where it now is. The dollar is now worth only 50 cents and that \$600 exemption equals only \$300 in purchasing power.

I include a table showing these reductions as they took place:

Personal exemptions and credit for dependents, 1913-54

	1913-16	1917-20	1921-23	1924	1925-31	1932-39	1940	1941	1942	1943 ¹	1944-45 ²	1946-47	1948 to date ³
Single person.....	\$3,000	\$1,000	\$1,000	\$1,000	\$1,500	\$1,000	\$800	\$750	\$500	\$500	\$500	\$500	\$600
Married person.....	4,000	2,000	*2,500	2,500	3,500	2,500	2,000	1,500	1,200	1,200	1,000	1,000	1,200
Dependents.....		200	400	400	400	400	400	400	350	350	500	500	600

¹ For 1943 the victory-tax exemption was \$624 for the taxpayer (no credit for dependents) and an exemption for the spouse of the taxpayer equal to the spouse's income or \$624 whichever was the smaller.

² For 1944 and 1945 the normal tax exemption was \$500 for the taxpayer (no credit for dependents) and an exemption for the spouse of the taxpayer equal to the spouse's income or \$500 whichever was the smaller.

³ For 1948 and subsequent years an additional exemption of \$600 is allowed taxpayers

65 years of age or over and an additional exemption of \$600 for blind taxpayers. Beginning with the taxable year 1948, married taxpayers were allowed to split their income for tax purposes, and for 1952 and subsequent years heads of households received one-half of the benefit of full-income splitting.

⁴ For net incomes in excess of \$5,000, personal exemption is \$2,000.

Source: Staff of the Joint Committee on Internal Revenue Taxation.

In increasing this personal exemption allowance we will be realistic in following out the policy of the government in increasing exemptions, as we have now passed through the war period and reached the time for returning the exemption allowance gradually to where it should be under a peace economy. We reduced the exemptions to take care of war expenditures and now that the war is over we should increase them to meet the peace economy. By so doing we will increase the purchasing power of the low income groups of the country, which will be a stimulus to our economy and will help to avoid further unemployment which has now reached 3.7 millions according to the latest reports. Increased purchasing power of this group is essential to maintain our industrial activity and thereby provide employment.

I am in hearty accord with the tax philosophy that every citizen should have the opportunity to participate in the support of his government through the tax program and I believe that the low income taxpayers who may be relieved from personal income tax under this personal tax exemption are not thereby relieved of active support of the government. Everything these low income groups buy has within it hidden taxes and if these could be estimated and tabulated it would be found that these low income citizens are perhaps doing more than meeting their full share in the tax burden.

A \$100 increase in exemptions will give immediate help to every individual taxpayer and especially to those in the low income groups. It is estimated that a married man with two dependents with a net income, before exemptions of \$5,000, would have his taxes decreased by \$80 or 15.4 percent. A married man with two dependents with a net income before exemptions, of \$4,000 would have his taxes reduced by \$80 or 25 percent. A married man with two dependents with a net income, before exemptions, of \$2,800 would be relieved completely from the tax of \$80 which he now pays.

Mr. Chairman, during my campaign for reelection I strongly advocated the reduction of taxes, and especially for low income groups and the elimination of wasteful and extravagant Federal ex-

pensitures to offset tax reduction. I feel that I am bound by this pledge to the people of my district to carry out my promises and for that reason and the other reason heretofore mentioned, I am voting to recommit this bill to eliminate the exemption on dividends and to raise personal tax exemptions from \$600 to \$700.

Mr. REED of New York. Mr. Chairman, I yield such time as he may desire to the gentleman from Minnesota [Mr. H. CARL ANDERSEN].

Mr. H. CARL ANDERSEN. Mr. Chairman, today we are faced with another difficult decision. We would all like to be able to support every possible tax reduction but we cannot avoid our responsibility of keeping our Nation strong financially, of keeping our national debt as low as is consistent with that responsibility, and of preventing the further lowering of the value of our dollar.

Back in 1947 when we were considering a tax-reduction bill—and I am sure many of my Republican colleagues will recall the instance—I made the following statement on this floor:

Today the tax bill is before the House for final action and there is no definite assurance that sufficient cuts will be made in appropriations to provide at least moderate reduction of our national debt. I cannot, therefore, vote for tax reduction at this time.

Mr. Chairman, I sincerely regret that the requirements of our national defense make those remarks pertinent to the bill before us today.

We have to take a realistic view of this legislation. As a member of the Appropriations Committee, I am well aware of our country's fiscal situation. I know that the budget cannot be balanced this year, and I cannot, in good conscience, support this bill knowing exactly how America's finances stand. Through budget cuts made last year, our administration was able to effect savings sufficient to warrant the 10-percent income-tax reduction which became effective last January 1. Last week I voted for the nearly \$1 billion cut in excise taxes. I feel, Mr. Chairman, that these reductions represent all that we

can afford to make at this time. However, when we can do so justifiably, I feel we should reduce taxes by increasing individual exemptions.

Mr. Chairman, I repeat, if and when our country's fiscal affairs are in such shape that additional tax reductions can be justified, I will gladly support them and believe that individual exemptions should be raised to insure direct help to every taxpayer in America. I earnestly hope that world tensions will ease so that we can take that action soon. In my judgment, it is not possible to do it today.

I regret, Mr. Chairman, that we do not have a simple bill before us extending the 52-percent tax on corporations so that I could vote for that extension. I cannot support the bill before us nor can I vote for the motion to recommit which would reduce Treasury income still further and which would increase our national debt by \$2.4 billion.

Mr. REED of New York. Mr. Chairman, I yield 2 minutes to the gentleman from New Jersey [Mr. CANFIELD].

Mr. CANFIELD. Mr. Chairman, I like very much the opening part of the prayer that our visiting pastor offered today. In that prayer he asked that: "On this day every Member of the House be given the courage to do what is right."

What is right, Mr. Chairman? That is a determination which every Member of the House must make for himself or herself. I have made my determination in my own mind and heart on the issue before us.

I believe, Mr. Chairman, the honest, the right thing for me to do today is to stand by President Eisenhower who, with his advisers, has thought this problem through for the best interests of the Nation.

It should be clear that the projected recommitment motion, the crucial vote of this day, will be costly and will wreck the President's program. I cannot help but feel that the New York Times pinpoints the proposition before us when it says editorially this morning:

We shall be in a bad way indeed if it is considered good morals or good politics to try to buy votes in November by offering several million voters something for nothing now in the form of increased exemptions

from the Federal income tax at the price of increased deficits for the Federal Government.

Mr. Chairman, I subscribe to that statement and I shall vote against the motion to recommit this tax program which President Eisenhower described to the American people only last Monday night as "the cornerstone of our whole effort."

Mr. REED of New York. Mr. Chairman, I yield 12 minutes to the gentleman from Wisconsin [Mr. BYRNES].

Mr. BYRNES of Wisconsin. Mr. Chairman, I am going to be very brief in this discussion of a very large bill. I am not going into the technical aspects of the bill, because much of that is already contained in the report or has been covered by previous speakers. I shall not try to calculate who gets what under this bill. It seems to me that sound fiscal policy looks more at the overall picture. Tax revision is not a political pie to be divided up among classes of people on the basis of their vote potential.

Mr. Chairman, I would like to make a general statement of the underlying philosophy of this bill. In the first place, it is not a tax-reduction bill; it is a tax-revision bill. And I would refer my colleagues on both sides to the very able remarks made in the House yesterday by my colleague the gentleman from Missouri [Mr. CURTIS], who dwelled at length upon that subject and showed conclusively that this is a revision bill rather than a reduction bill.

The underlying philosophy of this bill, I think, was well expressed by a group of Members of this House who submitted a report to this House back in 1947, and I would like to read what that report says:

The sound approach toward postwar tax revision is to make a comprehensive study of the entire Federal tax system, including individual income taxes, corporate income taxes, estate and gift taxes, and excise taxes. Such a revision should aim at equitable adjustments, incentive effects, and sound administration under peacetime conditions.

Further it says:

Important structural, administrative, and procedural tax problems have been accumulating for 5 years, since the Revenue Act of 1942, the last comprehensive revision of the Internal Revenue Code. Many needed amendments would result in substantial losses in revenue. Tax problems now under study by the Treasury Department or the joint committee staff include such important matters as the double taxation of dividends; the treatment of family income; the tax treatment of cooperatives; taxation of American corporations doing business abroad; provision for accelerated and more flexible depreciation; allowing taxpayers with fluctuating incomes to average the incomes of good and bad years in fixing tax liability; the treatment of capital gains and losses; an allowance for life-insurance premiums and other forms of savings under the individual income tax; and the treatment of pensions and annuities under the individual income tax.

Then further:

The internal-revenue laws should be further simplified in the interests of equity and understandability. The necessary changes which involve losses in revenue can be made only when we can afford a tax reduction.

The ill-advised action of the majority in considering reductions only in individual income-tax rates without simultaneously considering fundamental revisions in this tax and other taxes may foreclose proper action on such needed revisions.

Now that, Mr. Chairman, is a report filed by the minority members of the House Committee on Ways and Means in 1947, many of them the same gentlemen who are today complaining against this bill which meets the very tests and solves the very problems that they said in 1947 should be attacked by the committee as the first order of business in a post-war tax policy.

Who are these Members that signed this report? Why, the gentleman from Tennessee [Mr. COOPER], the gentleman from Michigan [Mr. DINGELL], the gentleman from Arkansas [Mr. MILLS], the gentleman from Kentucky [Mr. GREGORY], the gentleman from Georgia [Mr. CAMP], the gentleman from Rhode Island [Mr. FORAND], and the gentleman from Pennsylvania [Mr. EBERHARTER].

Let me say this. If you will read their 1947 report and the philosophy that they said should guide us, you will find that that is exactly what this bill before us today does. This minority report asks for nine specific things that they say should be done. Six out of those nine specific provisions are covered in this bill.

One of the items was partially treated in the act of 1951. I refer to that part where they say something should be done with the tax on cooperatives. A start in that direction was made in the act of 1951.

One of the six was covered by the 1948 act. I refer to the treatment of family incomes which they said we should attack. We did that in the 1951 act. At that time we made provision for the split income. This matter is further dealt with in this bill under section 2, relating to the treatment of heads of households or heads of families.

Let us run down these nine points that, in 1947, the minority said should be the basis of a postwar tax policy and a post-war tax bill. Heading the list is double taxation of dividends. This bill makes a start toward the solution of this inequity. It is this item in the bill that has attracted the most attention from the minority. This is the item they want to eliminate by their motion to recommit. But in 1947 they list this as the No. 1 problem that should be covered by any tax bill.

No. 2 is the treatment of family income. As I have said, in the 1951 act, we covered that problem in part and we finished it by our action under section 2 of this bill dealing with heads of families.

No. 3 is the tax treatment of cooperatives. That was in part treated in the act of 1951.

No. 4 is taxation of American corporations doing business abroad. Look at section 923 of this bill. This matter is taken care of under this revision bill.

No. 5: Here is another case where they now complain because we have put something in this bill to cure the problem which they said in 1947 should receive priority consideration in any postwar tax program. I refer to the matter of pro-

viding for accelerated and more flexible depreciation. We provide for a more realistic treatment of depreciation in this bill in section 167.

No. 6 has to do with allowing taxpayers with fluctuating incomes to average their incomes in good and bad years in fixing the tax liability. Although we have not gone all the way toward meeting this problem in this bill, I think we have gone as far as we can at the present time. A real start is made in the bill. I refer you to section 1361 to section 1364 of the bill.

No. 7 is the treatment of capital gains and losses. I will admit that we have not acted on this subject. That is not treated in this bill.

No. 8 has to do with allowances for life-insurance premiums and other forms of savings under the individual income tax. That we have not dealt with in the bill.

No. 9 has to do with treatment of pensions and annuities under the individual income tax. You will find many changes in the law to meet this problem that was pointed out by the minority. In this bill the .3-percent annuity rule has been changed; the exemption of certain pensions and annuity income; the changes made in the treatment of pension plans and qualified employer pension plans and profit-sharing plans—all of which go to attack this problem—will be found in this tax bill.

Add them up. Six out of the nine problems that the minority said should be covered by a revision bill are included in this bill. That is a pretty good batting average.

In addition to the nine specific proposals which the minority in 1947 said should be dealt with in postwar tax legislation, they state that—

The Internal Revenue laws should be further simplified in the interest of equity and understandability.

That, Mr. Chairman, is the basic objective of bill H. R. 8300, which is now before us. This bill certainly meets this particular test. It is met foursquare by this bill.

Permit me to speak briefly concerning two of the problems on which the minority urged action in 1947 but on which they today oppose corrective legislation. I refer to the double taxation of dividends and provision for accelerated and more flexible depreciation.

Although the minority members of the committee recognized that the double taxation of dividends was an inequity and an injustice in our tax laws in 1947, they now refuse to even recognize that there is such a thing as the double taxation of dividends. In their minority report, they find difficulty in understanding the purpose of the dividend-received exclusion and credit provision of the bill now before us. Certainly they know in their hearts, even though they will not admit it for the record, that this provision is to partially mitigate the effect of double taxation.

To refresh their memories, let me assure them that double taxation of corporate earnings paid out in dividends does exist by referring them to a table which I have had prepared. This table shows the combined corporate and individual

tax burden on corporate income under the present system of double taxation. For every dollar which the corporation earns, a corporate tax of 52 percent is assessed. This means that the shareholders equity in every dollar earned by the corporation is automatically reduced to 48 cents. When the 48 cents has been paid to the shareholder by way of a dividend, the shareholder must then pay an individual income tax at the rate applicable to the individual taxpayer. If we assume that this individual taxpayer has a net income of \$2,000 and is a single person, the tax rate applied to this 48 cents will be 20 percent or 10

cents. Thus, we see that the combined corporate and the stockholders individual income tax on the \$1 of corporate income amounts to 62 cents. The amount retained by the shareholder after the payment of these taxes is 38 cents. In the case of a stockholder whose taxable income is \$50,000, the combined tax paid by him on each dollar of corporate income is 87 cents. He retains 13 cents out of each dollar earned and paid out to him by the corporation. I include at this point a table showing the effect of this double taxation on shareholders with various taxable net incomes:

Combined corporate and individual tax burden on corporate income under present system of double taxation of dividends

ASSUMES SINGLE PERSON, OTHER THAN HEAD OF HOUSEHOLD

Stockholder's taxable net income	Corporate income	Corporate tax	Stockholder's equity after corporate tax	Stockholder's marginal tax rate	Stockholder's tax on equity	Total tax on corporate dollar earned	Amount retained per \$1 of corporate earnings paid out
				Percent			
\$2,000.....	\$1	\$0.52	\$0.48	20	\$0.10	\$0.62	\$0.38
\$6,000.....	1	.52	.48	26	.12	.64	.36
\$8,000.....	1	.52	.48	30	.14	.66	.34
\$10,000.....	1	.52	.48	34	.16	.68	.32
\$16,000.....	1	.52	.48	47	.23	.75	.25
\$20,000.....	1	.52	.48	53	.25	.77	.23
\$26,000.....	1	.52	.48	59	.28	.80	.20
\$50,000.....	1	.52	.48	72	.35	.87	.13
\$100,000.....	1	.52	.48	87	.42	.94	.06

The proposal contained in bill H. R. 8300 does not completely eliminate this double taxation. It only makes a start. I believe that eventually we should eliminate double taxation at least up to the first income-tax bracket rate.

I think it should be pointed out that the objective of this provision in the bill is not just to make a start at eliminating double taxation. Of equal importance is the desire to create a climate which will encourage more people to own a part of the American enterprise system. For a strong economy and for a healthier economy we need more shareholders. We need more people who have an ownership in the productive facilities of this country. Many of the farsighted corporations of the country today have programs to encourage stock ownership in the corporation by the employees. The provision in this bill relating to the dividend-received exclusion and credit has this objective. It is not to give a benefit to those people who today own stock. It is to remove a discrimination against people owning stock and to encourage more people to become stockholders.

The other point that I would like to mention briefly relates to the provision for accelerated and more flexible depreciation. Although the minority recognized in 1947 that any postwar tax revision should make provision for a more realistic approach to the handling of the depreciation on machinery and equipment, they now criticize our effort to permit individuals and businesses to use what is recognized as a sound accounting method for determining depreciation. If it was sound to recommend a change in depreciation policy in 1947, it certainly should be recommended and put into operation today.

The purpose of providing for a realistic depreciation policy in our tax law is

to maintain a strong productive America. We all know that the cornerstone of America's strength, greatness and standard of living is our productive facilities. During the last great war we were known as the arsenal of democracy because of our magnificent ability to outproduce all other countries in the world. Why could we outproduce them? Certainly American labor must be given its share of the credit but of equal importance was the modern tools, equipment, and plants which the American free-enterprise system had developed. We have been strong in war and we have been strong in peace because of our great and modern facilities capable of producing the goods and materials needed for war and for peace. We can only stay strong as our productive facilities are modern and up to date. No country can be secure in a hostile world with plants and machinery that are obsolete. No country can maintain a high and improved standard of living with plants and machinery that are obsolete.

We are all concerned about the security of our country. We are all concerned about maintaining proper facilities for the defense of our country. May I say to you that appropriations for the defense establishment of this country will not in and of themselves assure our security. Our defense establishment, our soldiers must be backed up by modern up-to-date plants and machines.

It is to assure that our productive facilities will be kept up to date and modern that a provision has been made in H. R. 8300 for a more realistic depreciation policy.

I repeat again that the minority gave us some sound advice in 1947 as to what should be done in any postwar tax revision legislation. This bill meets those tests. On the basis of the minority's own

formula for a sound postwar tax bill, this bill should be enacted into law.

Mr. COOPER. Mr. Chairman, I yield 30 minutes to the gentleman from Arkansas [Mr. MILLS].

Mr. MILLS. Mr. Chairman, I find myself today in a position that I do not relish because of the great affection I have for the chairman of the Committee on Ways and Means and all the members of the committee, many of whom are in disagreement with the position I shall take on this bill. Every Member, perhaps, feels as I do that the chairman of the committee, the gentleman from New York [Mr. REED], is entitled to a great amount of credit for what is before you today in H. R. 8300. He has worked diligently, he has worked longer hours, perhaps, than any of us on this subject. It is fitting that it should be known as the Reed bill. I cannot say enough in tribute to this very fine American.

As I say, therefore, it is a little difficult for me to undertake to criticize his masterpiece as I find I will have to do. However, before looking at the bill in particular, let us look at our overall situation just for a minute.

A few nights ago I listened with interest to the statement on television of the President of the United States, in which he pointed out that some \$7 billion of tax reductions had been permitted or allowed already by this Congress, as he said, because there had been savings to offset those tax reductions; but that we could not now have further tax reductions and continue to have more social security, more unemployment compensation, more slum clearance, more housing facilities, more health insurance, more of this and more of that; we could not have further tax reductions at this time because of those situations. He pointed out that any further tax reductions now would mean further deficit financing.

I think really in fairness to all of us on this side it should be pointed out again, as already pointed out by the gentleman from Louisiana [Mr. Boggs], and others, that we Democrats did not undertake any drive this year nor last year for any overall tax-reduction bill at all.

We welcomed the opportunity for the Committee on Ways and Means to begin consideration and study of proposals to revise the tax structure, to remove obsolete language, to remove unnecessary provisions from the law, to write a better Internal Revenue Code because we recognized, as did the chairman of the committee, that there was need for this work to be done. But now we find in the bill before us further tax reductions. Let no one be misled as to the fact that this bill does reduce somebody's taxes. Let no one be misled as to the fact when the Treasury reports that in the first fiscal year alone, the Treasury will lose under the reductions in this bill \$1,397,000,000 in revenue, that somebody's taxes are being reduced. It is said that these reductions are being made in order to bring fairness and equity to the tax structure. Let us see what would be done. These \$7 billion of tax reductions that have already been made in part were mentioned in the March 12 issue of

the U. S. News & World Report. It was pointed out that the reduction which went to individuals on January 1, 1954, divided as this magazine divides it on the basis of those with over and under \$5,000 of earned income \$924 million went in tax relief to those with less than \$5,000 of earnings. Taxpayers earning \$5,000 and more received according to this magazine \$2,063,000,000. Now a part of this reduction which the President refers to includes the excess profits tax on corporations which expired on January 1, 1954. And I think it should have expired on January 1, 1954. But that reduction went to only about 50,000 corporations. You remember the Secretary of the Treasury, Mr. Chairman, in urging our committee to extend the excess profits tax from June of 1953 for 6 more months said that it did not affect many corporations and that it was an easy way to get money because not many of the 450,000 corporations in the country were paying such taxes.

The great bulk of the corporations of the United States, therefore, received no tax reductions from the expiration of the excess-profits tax. This bill does not propose to give the great bulk of the corporations of the United States any tax relief any more than it proposes to give tax relief to any of the individuals in the United States earning less than \$5,000 a year unless they become sick, or unless the taxpayer dies and leaves a widow who wants to hire a baby sitter or the taxpayer is otherwise faced with an extraordinary situation. Now just the same treatment is accorded under this bill to most corporations that is accorded to most individual taxpayers. Do not let anyone mislead you about that. The provisions in the bill which lose in fiscal year 1955 \$619 million from reductions for corporations does not mean that all corporations get that benefit by any means. This bill is taxing for another year at the present 52-percent rate all the corporations in the United States that earn money, but as a handback with the other hand in the same taxable year, \$619 million goes to corporations that can qualify for these enlarged benefits that are extended under the bill in the form of additional depreciation and in the form of loss carrybacks and so on, and even depletion is affected here in some instances for some corporations. But the great majority of the corporations in the United States, Mr. Chairman, have received no tax relief since this administration came into office last year.

The majority of the American taxpayers have received no tax relief in the last year since this administration came into power, so they are not sharing in this \$7 billion by which the President said our tax burden has been reduced.

Why are they not sharing in it? Because any taxpayer with 4 in his family who earns less than \$3,500 a year in 1954, unless you do something about it, actually will be paying more in taxes than he paid in 1953.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Iowa.

Mr. GROSS. Does this bill provide by any chance for accelerated tax payments for those who have investments abroad?

Mr. MILLS. I will come to that in just a minute, if the gentleman will bear with me. At this point let us not be hoodwinked, let us not be misled, let us know what the facts are about the bill. When they tell us that we cannot have further tax relief for individuals because they have already given \$7 billion in tax reductions, they are not telling where the \$7 billion goes. I will yield to any member of the committee who wants to rise now and dispute the fact that there is no tax relief—no tax relief for any individual with a wife and two children earning \$3,500 or less, and that actually that individual will be paying more taxes in 1954 than he paid in 1953.

Mr. CURTIS of Missouri. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I always yield to my friend from Missouri.

Mr. CURTIS of Missouri. I would rise to dispute that because as a matter of fact there is this tax relief, and what the gentleman is doing is confusing it with social security.

Mr. MILLS. No; the gentleman is not confusing social security; I am following the line of argument that was made in the early days of last fall by my distinguished friend from Pennsylvania [Mr. SIMPSON]. He was quoted in my local papers at least as pointing out that if the social-security tax rose from 1½ percent on the individual and the employer to 2 percent, that the taxpayer in many instances as a result of that would pay more tax than he paid in 1953 in spite of the fact that his tax burden was reduced on January 1. I have confidence in what my friend from Pennsylvania says; I know he is eminently correct, but in spite of my confidence I checked to be certain that he had made no error in his computation; and I find that he has not.

So really in spite of the argument to the American people the other night by the President, the great majority of the taxpayers of the Nation, including the great majority of the corporations, have received no benefit whatsoever from the tax reduction program which this administration has permitted to go into effect as scheduled in the laws.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Pennsylvania.

Mr. SIMPSON of Pennsylvania. I am sure the gentleman did quote me correctly. He will agree also when I tell him that the bill which increased the social security bill is a Democratic tax bill which was passed when the Democrats were in power. Correct?

Mr. MILLS. Oh, yes; there is no question about that. We have always supported a strong social security program and improved the system all along, and this proposal to do something for the low-income taxpayer is a Democratic proposal, and we are seeking the support of the gentleman and others to help us do something about them.

Mr. CURTIS of Missouri. Mr. Chairman, will the gentleman yield further?

Mr. MILLS. Why, certainly,

Mr. CURTIS of Missouri. Because I know the gentleman wants to be fair.

Mr. MILLS. Always.

Mr. CURTIS of Missouri. And does not want to confuse the issues.

I submit that the social security tax, and the gentleman well knows it, concerns the retirement of these people, and it was the labor unions themselves who were fighting to maintain that increase, now let me finish because we do not want confusion over that.

Mr. MILLS. No; certainly not.

Mr. CURTIS of Missouri. No, indeed. They wanted to have that social-security fund intact because it affected the retirement of these people. I submit that the social-security tax is an entirely different thing than taxing for general revenue. I think the gentleman should not confuse the two issues when he talks about tax reduction.

Mr. MILLS. The gentleman from Missouri will, I am sure, agree with me any time I am right, and I might say that in this instance I think I am right. The net effect upon the individual who pays a tax is the same whether it is a social-security tax or an income tax: His income is decreased by the amount of the tax and so is his purchasing power. That is simple mathematics. I am sure the gentleman will agree to that. However, I would not have mentioned social-security taxes had not the President the other night advised the American people that they could not have this tax reduction from increased exemptions proposed by the Democrats because we had to have more social security, more unemployment compensation, more housing, more this and more that, all of which had been started by previous administrations. I would not have mentioned social security except for that fact. But the effect is exactly as I have pointed out, and I am sure the gentleman will agree.

Mr. CURTIS of Missouri. I agree with that, but I think the gentleman was attempting to confuse two entirely different issues.

Mr. MILLS. No. I am totally unable at any time to confuse my friend from Missouri, for whom I have the most genuine respect and admiration.

Mr. CURTIS of Missouri. I thank the gentleman.

Mr. MILLS. Mr. Chairman, it has been pointed out by Members on our side that the way to provide fair and equitable tax reductions is to provide some relief to the majority of the taxpayers who have had no relief, and I want to ask a question of some of you who are willing to assume the responsibility for the situation that now exists taxwise, regardless of who is entitled to credit. We Democrats say we have provided for these tax reductions that went into effect on January of this year. My Republican brethren, on the other hand, say that these reductions could not have gone into effect except for what they have done. It looks like both of us are wanting credit. If both of us are entitled, therefore, to credit for the situation in which we placed the American taxpayer, it would occur to me it is the responsibility of both parties then, not just one party but both parties, to correct the discrimination to which I have

referred and which is more evident in present tax laws. It is not helped one iota by the bill that is before the House today.

Let me go to something else. You say you want to exempt some dividends completely from tax and in addition provide a credit against tax for remaining dividends because you want to move in the direction of eliminating double taxation on corporate profits. I want to tell you, Mr. Chairman, and those on this side over here to my right, that for a number of years we members of the Ways and Means Committee have argued up and down this aisle over the question of whether or not corporation profits are passed on to the consumer. I have heard my distinguished, my eminent, friend from New York oppose tax bills on the floor of the House when we were imposing a tax on corporations or raising the tax on corporations on the ground, among other things, that to increase the tax is merely increasing the burden upon the American consumer for the American consumer is the one who is going to pay the tax in the final analysis. Now, here today, and on yesterday, we find the gentleman and others coming back to us urging this credit on dividends on the ground that corporate profits are taxed twice. Either they were right in one instance, they were wrong in the other, or they were wrong in both instances. Which is it? You cannot pass on taxes as a cost of doing business and then conscientiously request an alleviation in so-called double taxation on profits on the ground that some stockholders are being unfairly treated or that you have to do this in the interest of equity. No, that is not the reason.

Let me point out certain things that have not been mentioned on the floor thus far. You actually eliminate the corporate tax, Mr. Chairman, by this device by giving an equivalent reduction by way of an exclusion and a tax credit to individuals equal to the corporate rate in some instances. I defy any man to disprove that. You do not do it in the lower brackets but in the case of certain earnings, and I will include it in my remarks, the effect of your 10 percent tax credit proposal is to nullify the corporate tax rate.

Taxable income	Equivalent percent of corporate tax eliminated as result of individual dividend tax credit of—	
	5 percent	10 percent
\$5,000.....	6	13
\$10,000.....	7	14
\$20,000.....	8	16
\$30,000.....	9	19
\$50,000.....	12	24
\$100,000.....	20	40
\$200,000.....	45	91
\$300,000.....	50	100

But let us look at it a little bit further and more closely at the proposal. Let us see what you are doing. Are you merely providing a device for the elimination of the "double taxation" of business profits? No. You are not doing just that. You would do that if you said that when the individual receives this income from dividends we will not include it in

his income for income-tax purposes, or we will only include a part of it. Then you would be eliminating the question of double taxation on business profits if you eliminated the dividend paid out by corporations from corporate taxes. You do not do that. But you go to great lengths in your majority report to prove that that is not feasible. You have said when this tax credit amounts to 10 percent of the dividend involved, when that figure is reached you lose \$814 million in revenue. If you carry that out to the extent which the gentleman from New York, [Mr. REED], chairman of the committee, said in his press release at the time the committee adopted this provision that was intended later on, the complete elimination through this device of double taxation on business profits, multiplying \$814 million by 10, which would make 100 percent, what do you get? A saving to those who own shares in American corporations, a tax saving in excess of \$8 billion a year, not around \$3.5 billion, which is the amount of tax now paid by individuals on dividends. No. You get more than a tax credit offset because it amounts to \$8 billion when you carry this out to its final result—a 100-percent tax credit. Now, if you start off in this direction, you hope to end up with a 100-percent tax credit sometime, so the best way to stop it is to stop it now before the first step is taken.

Mr. KEAN. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from New Jersey.

Mr. KEAN. Would the gentleman favor a provision that would eliminate double taxation by reductions in the way he talks?

Mr. MILLS. I will not favor a tax reduction in the hands of shareholders for dividends which are now fully includible for tax purposes by the individual. I will favor relief when we can get to the point—and I do not think we are at the point now; we do not have a balanced budget, because we should not hand out favors like this and pass them on to our grandchildren. But, if you want a balanced budget—and I know the gentleman's feeling generally on these things, and I am not lecturing him—yes, I would reduce the corporate rate. I voted to do it in the committee. I voted to let this corporate tax drop from 52 to 47 percent in the committee, because I think that is one of the ways to get at this problem of "double taxation." You never heard about it until the rates on individuals and corporations both rose to such heights, but you are not reducing rates in this bill.

Mr. KEAN. Did the gentleman advocate the plan that dividends be excluded from the bottom 20 percent?

Mr. MILLS. That was the rule that we had in the 1930's when we exempted dividends from the normal tax.

Mr. KEAN. Did the gentleman favor that?

Mr. MILLS. I think the other way, which I mentioned in committee, is the better way. Frankly, I do. But the Treasury and Mr. Stam and others have argued that that is not the way to do it; that it would mean the stockholders

might bleed the corporations to death. But, smart as they have been in the development of this bill—I cannot understand it, and I do not think anybody on the committee can understand it, but anybody smart enough to write into a bill the language that is in this bill is certainly smart enough to come up with some provision that would permit doing what I am advocating and still not mulct the corporations to death.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. The gentleman refers to "the other way." What does he mean by "the other way," that he would not apply the corporate tax to corporation incomes passed out as dividends?

Mr. MILLS. I think that is the way to handle it, at the corporate level. That is the way the cooperatives are operating, and if there is anybody in the Congress that is an advocate of that method of handling profits, there are men on our committee who will, as the gentleman from Wisconsin well knows. If it has been successful for cooperatives—and the complaint is that it has been so successful that they are now a threat to American business—why would it not be successful in the case of corporate profits as well? I do not say we can do it now, but I did intend, when we got to the point of doing something about this question of double taxation of business profits, to urge upon the experts that they work out a plan along this line.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. BYRNES of Wisconsin. I take it then, that the gentleman agrees that there is double taxation in this area?

Mr. MILLS. No; I am not going to agree to that. I am not going to agree that there is double taxation of dividends. I am going to agree that there is double taxation in the hands of the corporations and in the hands of the stockholders of those limited amounts of business profits which are paid out by the corporation to the stockholder, assuming the corporate tax is not passed on to consumers. In that instance I say that there is double taxation.

But it is a strange thing that in spite of the fact that there is double taxation now, at higher rates than we have ever experienced heretofore in American history—that is, in the last few years—that dividends to dividend recipients and the earnings to corporations have gone higher and higher. This administration in the past few weeks or months has bragged about the fact that corporate earnings were higher in 1953 than at any time under a Democratic administration. And I take it, that it is a matter of fact and is true.

If it is true, then it thoroughly disproves the position that I took years ago and proves the position of my distinguished chairman that the corporations have successfully been able to pass on these taxes that we have levied against them, and the result of increasing taxes has not reacted against the shareholder,

has not resulted at all in reducing his earnings.

I had in mind discussing some of the loopholes and the question of simplification. I wanted to call to the attention of some of the committee members—especially my friend from New Jersey [Mr. KEAN] and my friend from Wisconsin [Mr. BYRNES], along with my other friends—my friend from Missouri—and all of the gentlemen who worked diligently to cover up these things when they were pointed out to them—these things in the bill that might have constituted loopholes. They got by the experts. When we found them in the committee, I know that all of the members worked to try to cover them up and they did cover one of them up through the adoption of an amendment.

Mr. BYRNES of Wisconsin. If the gentleman will yield to me; I assume he does not mean cover up, but means clarified?

Mr. MILLS. I thank the gentleman; I am glad the gentleman corrected me. Certainly I did not mean cover up in that sense. I was bragging on my friends.

But here is one situation that slipped by. That is the situation that is covered in section 301 (a). I called your attention yesterday to one thing, and I want now to call your attention to some other things. Unless you amend the bill in section 312 (a) (1)—and I want the experts to hear this, too—unless you amend section 312 (a) (1) to include all securities after profits in the case of corporate distributions, you are going to permit the distribution of bonds, the distribution through issuance and redemption of bonds of profits in a corporation that will not be taxed in the hands of the individuals. There is a glaring loophole. That one got by.

I want to raise again the question in connection with section 214. Who is it that is going to make a determination about whether a woman's husband is mentally or physically defective; and, oh, they use such charming language. Is he mentally or physically defective if he is a drunkard, for the purposes of that section? Is there anything in the law that you are repealing? Are there any regulations or a law that tell you that the Commissioner of Internal Revenue could not hire doctors to make that determination? You say he would not do it, but are we legislating here for men or are we legislating laws that they can read and understand?

Yes, there are many other provisions. I will call to the attention of my friend from New Jersey another. I do not single him out, I just mention all of you. In the case of this provision we write in here on splitting of income for a head of a family, we say when we liberalize that provision that it is not necessary for an individual to be the head of a household. We do not even require the individual to have a household in order to get split income under that provision of the bill. You cannot deny it. It is there.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. BYRNES of Wisconsin. The gentleman knows why we provide it, does he not, to take care of some of these cases where people are living out of the household. It was because the ranking minority member of the committee called attention to the injustice that would be done if we did not take this.

Mr. MILLS. I call the gentleman's attention to what is in the bill. It is there. I want to show you what it does. I am not saying when you offer an amendment to increase exemptions that it would be unfair to increase exemptions, but you fellows are saying it. In other words, a family, a man with a wife and 2 children, under the proposal that will be offered by the Democrats today, who has a gross income of \$5,000 will have a tax saving of \$120, but under this revised head-of-family provision in the bill which has been written in, in the case of a taxpayer with \$50,000 of taxable income who has a dissolute brother, say, somebody to whom he gives \$100 a month, do you know what his tax credit is, even when he does not have a household? You reduce his taxes under this bill by \$6,520. Do you know what you do when \$40,000 of that \$50,000 represents dividend income? You reduce his tax by \$10,470. Yet you contend that because we have the nerve, the audacity to come out here with a proposal to do something for individuals who are going to pay more tax this year if they have earnings less than \$3,500, then we either demagog or we are bankrupting the Federal Treasury.

I ask you how you can justify reducing one individual's tax under this bill by over \$10,000 and declining to reduce the tax of another by \$120. Are we so blind to fairness, are we so blind to understanding, that we have reached the point that we have to trot down the aisle here and vote just as somebody has told us to vote? Have we reached that stage in American history? I thought we were getting away from it. I thought you people had said when you condemned the Democratic Congresses in the past, "If you will ever put us in control we will not be rubber stamps, we will not be rubber-stamped into doing something we know is not fair, that we know is not equitable."

The only way you can get out of this situation is to vote for the Democratic motion to recommit, to give something in the way of tax relief to those who do not have it and who will not have under this bill.

DOES THE BILL REALLY PROVIDE FOR TAX SIMPLIFICATION?

I am as desirous as anyone in seeing our tax laws simplified. Since the bill was printed, I have checked a few provisions, just to see how much simplification is provided in it.

I have been very disappointed in those few instances. I fear that taxpayers are going to find so many rules, limitations, and qualifications that it will be practically impossible for them to intelligently fill out a tax return.

For example, take the credit for dependents. At least a half a dozen new rules are added.

In some cases, the taxpayer would still lose the credit for a dependent who has

a gross income of \$600 or more. In others, if the taxpayer has a child who works and who is under the age of 19, or who is a student, he would not lose him as a dependent if he earns more than the present \$600 limitation, provided he is still furnished more than one-half of his support by the taxpayer.

Then when you come to determining who is a student in such a case, you also run into determining whether or not the educational institution which he is attending meets the definition in the bill.

In some instances, unrelated persons would be permitted to be claimed as dependents. Then there are rules relative to multiple-support agreements.

It is not that such provisions in the bill as this may not be just and fair. What concerns me is the claim being made that this is a simplification of our tax laws.

The bill also provides special treatment for sick pay. Here again I am not saying there is no merit or logic in such a provision. However, I am saying that the whole new set of rules which is provided in this case are very complex.

I am sorry that time does not permit me to go into other provisions and problems which I would like to discuss.

CRITICISM OF MINORITY REPORT

Yesterday a statement prepared by the Treasury Department was inserted in the RECORD. This statement dealt with the minority report on the pending bill, and it said that the minority views "contained numerous errors in both the interpretation of the existing law and of the proposed bill. These errors are not minor ones; they are basic and fundamental errors." The Treasury Department statement continues by saying that the specific comments which it is making on the minority report correct it and "provide the basis for a correct interpretation of the bill."

The Treasury Department apparently does not understand the function of a minority report, or for that matter, of a majority report. It is the majority report which gives existing law and describes the changes which are being proposed in a bill, giving the arguments for those changes. A minority report, on the other hand, or any dissenting views, are supposed to set forth those areas in which the particular members of a committee disagree with the position taken by the majority.

I have reviewed the criticism of the Treasury Department of our minority report. It argues about the position which we take and the choice of language which we used. I am very flattered that the Treasury Department was so concerned about the points which we made that it saw fit to take 34 typewritten pages to comment on them.

In all of these 34 pages, the Treasury Department points out 3 errors which we made and which we admit. One of them is an error in the date in our comments on the "bail-out" provision. It is unfortunate that we made this error. The other two errors are mathematical errors. It is worthy of note that none of these three errors affect the principle in the provisions and points under discussion. For the information of the Treasury Department, I would also like to

point out that there is a misplaced decimal on page 3 of the minority report. They overlooked this error. All of the other issues raised by the Treasury Department in its statement are merely criticisms of our criticisms.

I think the Members of the House would find it very enlightening to read our minority report in light of these criticisms. In most cases, they clarify our position and put the issues which we raise in sharper focus.

From the study of the bill and the report which I have been able to make since they were submitted to the House, it seems to me that it would have been much more valuable for the Treasury Department to have concentrated on the bill and some of the provisions in it which appear to need correcting.

Mr. REED of New York. Mr. Chairman, I yield 15 minutes to the gentleman from New Jersey [Mr. KEAN].

Mr. KEAN. Mr. Chairman, if my good friend the gentleman from Arkansas had called attention to some of these loopholes in committee I am sure we would have corrected them. This has been a very complicated bill. We have two bodies here, the House and the Senate. One of the reasons we have two bodies is that if one of them slips up in writing a bill these things can be corrected.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. KEAN. I yield to the gentleman from Arkansas.

Mr. MILLS. Will not my friend from New Jersey admit that I did call attention to some things in the committee?

Mr. KEAN. The gentleman did, and they were corrected.

Mr. MILLS. Only one thing.

Mr. KEAN. The gentleman did not call attention to the things about which he was talking just now.

Mr. MILLS. Would the gentleman not admit that it is a little unfair to expect the gentleman from Arkansas to understand fully a bill 875 pages long, which no expert in the country now understands?

Mr. KEAN. I am not criticizing my friend from Arkansas.

Mr. MILLS. We find these things as we study the bill.

Mr. KEAN. And the more the gentleman finds, the more good service he does for the country.

Mr. MILLS. If the gentleman will yield further, I did not get to cover the matters I intended to, but I wish the gentleman would advise his colleagues what the bill does with respect to foreign subsidiary and branch earnings, and I wish the gentleman would let me know if there may not be possible loopholes in the provisions.

Mr. KEAN. Mr. Chairman, on yesterday I called attention to the gentleman from Tennessee [Mr. COOPER], that the Democrat Party when in power had never recommended an increase in exemptions. He answered as follows—I quote from the CONGRESSIONAL RECORD, page 3432:

We had to fight and finance the Second World War and the Korean conflict. We had to provide additional revenue during

that time. Most of the additional taxes were put on by lowering the exemptions.

The gentleman is just as wrong as he could be. Most of the additional revenue was secured by increasing the rates. In 1941, just before World War II, the exemption for a married couple was \$1,500 and the exemption for dependents was \$400 apiece. Thus, the total exemption for the average American family—a married man with two dependents—was only \$2,300. Today the same family has a greater exemption \$2,400. In 1941 the tax on the lowest income bracket was 10 percent. Today it is 20 percent.

If, as the gentleman advocates—I quote—"The burden should be taken off just exactly as it was put on," he should favor a decrease in rates rather than in exemptions.

I include a table showing rates and exemptions since the inception of the income tax.

Income-tax rates and exemptions, 1913-54

Income year	Range of rates (percent)	Exemptions		
		Single	Married	Dependent
Mar. 1—				
1913-15	1 - 7	\$3,000	\$4,000	-----
1916	2 - 15	3,000	4,000	-----
1917	2 - 67	1,000	2,000	\$200
1918	6 - 77	1,000	2,000	200
1919-20	4 - 73	1,000	2,000	200
1921	4 - 73	1,000	2,500	400
1922	4 - 58	1,000	2,500	400
1923	3 - 43.5	1,000	2,500	400
1924	2 - 46	1,000	2,500	400
1925-28	1.5-25	1,500	3,500	400
1929	5-24	1,500	3,500	400
1930-31	1.5-25	1,500	3,500	400
1932-35	4 - 63	1,000	2,500	400
1936-39	4 - 79	1,000	2,500	400
1940	4 - 79	800	2,000	400
1941	10 - 81	750	1,500	400
1942-43	19 - 88	500	1,200	350
1944-45	23 - 94	500 per capita	500 per capita	-----
1946-47	19 - 86.45	500 per capita	500 per capita	-----
1948-49	16.6-82.1275	600 per capita	600 per capita	-----
1950	17.4-84.357	600 per capita	600 per capita	-----
1951	20.4-91	600 per capita	600 per capita	-----
1952-53	22-2-92	600 per capita	600 per capita	-----
1954	20 - 91	600 per capita	600 per capita	-----

¹ Exclusive of the defense tax of 10 percent of the total tax due.

² Exclusive of the victory tax applicable to 1943, which was imposed at a rate of 5 percent on net income after a specific exemption of \$1,248 for a married couple filing a joint return and \$624 for other taxpayers.

This is a tax revision bill. It is not a tax reduction bill. Reductions are an incidental result of the correction of inequities and an attempt to stimulate the economy.

Tax reduction as a primary object has been provided by other bills and laws which will result in approximately a \$6 billion benefit to American taxpayers in 1954.

In this bill, as has been previously stated, \$778 million of the benefits go to individuals in fiscal 1954, while \$619 million go to corporations.

It is the latter, plus the dividend provision—together amounting to only about 10 percent of the entire tax reduction for 1954, which have given rise to all the attacks on this bill from Democrat sources. This moderate amount of benefit to business is what our Democrat friends characterize as a horrible example of the trickle-down theory.

But we must never forget that without successful employers there would be

no employees, no jobs, no payrolls. Under our free economy it is only the possibility of making money which provides the incentive for men to devote their time, their energy, their ability, and their capital to industry.

The heaviest immediate loss in the proposed bill will come from the provision for speedier amortization of new plant and equipment. Certainly modernization of plant is advisable—not only will it make jobs immediately when new machinery is ordered from the heavy industry which manufactures it—and this by the way will right now stimulate employment and help in combating the recession—but more modern machinery will make it possible to produce cheaper goods for our people to buy.

It is also true that the greatest deterrent to attack from the Communist forces is the industrial might of America. Anything that we can do to strengthen and modernize our plant will be a step toward maintaining peace.

Today when the president of a corporation recommends to his board of directors the installing of new machinery, the first question the members of the board will ask him, How does this machinery stand on our books? If, as is often the case, the president must say that owing to the straight line depreciation which has been in general use, the machinery is still on the company's books at a high figure that its abandonment or sale will result in a substantial loss which must be reflected in current operating figures, you hit a roadblock which has often caused the directors to refuse to install the new machinery and modernize the plant.

The provision in this bill by which new machinery can be written off—two-thirds over the first half of its useful life—is sound and realistic, and though it will result in the immediate heavy loss to the Treasury so harped on by our Democrat friends, there will be practically no loss to the Treasury in the long run, as writing off machinery faster in earlier years means smaller write-offs in later years.

Now let us talk a while about the so-called double taxation of dividends and the small step provided by this bill to alleviate this situation.

The minority leader in his television broadcast read some figures as to who will immediately benefit from the program. These figures are not the same as those given me by the Joint Committee on Internal Revenue Taxation, who tell me that approximately 50 percent of dividend recipients have incomes under \$5,000 and that approximately 12 percent of all homeowners own stock.

However, do not let us quibble about figures. Even if the figures mentioned by the minority are correct, this provision should not be eliminated.

What the Democrats refuse to recognize—at least publicly—is that the purpose of this section of the bill is not to give any special benefits to those already holding stocks, but is aimed to encourage more and more Americans to purchase shares in future years and thus help build up our Nation.

Whether the figure of the number of families who are contributing to our ven-

ture capital is 8 percent or 12 percent, it is far too low. This proposal is an attempt to encourage them to make more common-stock investments. With the very high income tax rates, with high estate and inheritance taxes, the source of the capital which in America's past has financed new expansion—the excess income of the wealthy—is fast drying up. Some new source must be found and thus by this suggested amendment to the law an attempt is being made to tap the area where the largest income is found today; this is the great middle income group. The aim is to make it more attractive for this largest income group to use their savings in a constructive way to add to our Nation's growth.

This is the reason why the Eisenhower administration considers this proposal to be such an important part of its tax program.

This is the reason why in Canada and Great Britain even more benefits are given to those who receive dividends than is provided in this bill. In Canada it is 20 percent. In Great Britain it is in effect 30 percent.

To do this is for the good of all the American people. It is not, as some politicians would like the people to believe, because the Eisenhower administration has a special desire to ease the tax burden of those who receive dividends.

The administration realizes, wisely, that some method must be found to stimulate investments in risk capital, for risk capital is the type of investment which increases production and thereby makes more jobs.

There has been a tendency lately for corporations in this country to expand chiefly by increasing their debts. This is a dangerous course if business slackens for, to avoid bankruptcy, interest on debts must be paid whether earnings warrant it or not.

The best way for a business to provide new machinery, new plants, and new equipment is to get money from its present shareholders, or other new shareholders who, thus, become partners in the business. This type of investment should be encouraged.

Most corporations cannot get new capital by selling stock at present prices without diluting the capital already contributed by their shareholders. Of listed stocks, 62 percent are selling at prices below the value of the assets of the corporation and 48 percent are selling more than 20 percent below the companies' assets.

The matter is even more important for the small corporations which cannot always borrow money from banks at reasonable rates as generally is possible for large corporations. A small corporation usually can only finance itself by issuing additional stock and the price which investors will pay for this stock is far below the book value.

The method provided by this bill to accomplish this purpose was not the one which I favored. For a long time I have suggested that dividends should be exempt from the basic tax, which now is 20 percent. By this method those in the lower income brackets would, to a large extent, receive their dividends tax

free and so it would be greatly to their advantage to invest in sound equities.

This 20 percent exemption would, of course, apply to every taxpayer, and those with higher incomes would still have their dividends taxed at progressive surtax rates.

You may remember that previous to 1936 dividends were exempt from the normal tax which was then 8 percent. One might say now that the bottom 20 percent is the normal tax.

The reason why this suggestion of mine was considered impractical at this time was the large immediate loss of revenue—perhaps \$1,400,000,000. Recognizing that the Treasury, under present circumstances, could not stand such a loss, I did not press my suggestion. However, I hope that at some future time such a provision will be substituted for the plan proposed in this bill.

Besides the above, the other portion of the bill which costs the next largest amount of money—\$147 million to be exact—and is listed among the aids to business, so complained about by the Democrats, is the provision lowering the corporation tax for those doing business abroad.

The purpose of this is to further our foreign policy by encouraging American investment in foreign countries. I have heard no Democrat criticize this either yesterday or today even though this item represents about 20 percent of the aids to business about which they complain so loudly.

Now let us get down to the question of the personal exemption. I happen to be the one who proposed in committee the amendment which was enacted in the 80th Congress, which increased the exemption from \$500 to \$600, so you can gather that I am not unfriendly to the idea of increasing exemptions when the time is ripe.

And, by the way, I want to repeat that though the Democrats were in charge of this Government for 20 years, they never proposed increases in exemptions when they had the responsibility for our fiscal policy, and while they had the majority in Congress to put such a provision through. They do so now only in an attempt to make political capital.

Let us look at the record.

From 1925 to 1931—when the Republicans were in control—the exemption for a single person was \$1,500; for a married person \$3,500. At that time the tax in the lowest bracket was only 1½ percent.

Then the Democrats came into power. The exemption for a married person was reduced to \$2,500. The lowest bracket rate was increased to 4 percent.

In 1940—long before Pearl Harbor—the exemption for a single person was reduced to \$800; and for a married person to \$2,000.

In 1941, the exemption for a single person was reduced to \$750; for a married person to \$1,500. And the lowest bracket rate was increased to 10 percent.

In 1942, the exemption for a single person was reduced to \$500; and for a married person to \$1,200. And the lowest bracket rate was increased to 19 percent.

In 1944, the exemption for a married person was reduced to \$1,000. The lowest bracket rate was increased to 23 percent.

It was only in the 80th Republican Congress that the trend was reversed and the exemption was raised to \$600; and the lowest bracket rate was reduced to 16.6 percent. There has been no change in the exemption since Truman was elected in 1948, but the lowest bracket rate was increased to 22 percent, returning to 20 percent on January 1 of this year.

Today when they have no responsibility Democrat hearts are bleeding for the little man who they did not take care of while they were in charge.

We Republicans are thinking of the little man. We want him to have a job at good pay. We do not want the cost of living to soar so that he cannot buy the same amount of necessities with his earnings as he can now.

We realize that with expanded industry and the renewed prosperity which this bill will help bring about that he will receive more increase in pay per hour than the cent or two saving he would receive per hour of work, through the increased \$100 exemption. What good is an additional \$100 exemption to a man who has not got a job?

To oppose cutting expenditures, as have most Democrats; to try to buy the election at the expense of the national solvency; to ask our children and grandchildren to bear the added burden of increased national debt to pay for this generation's follies; to vote to increase the deficit by more than \$2 billion and thus set the base for a new rise in the cost of living—is sheer irresponsibility.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. KEAN. I yield to the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. The gentleman referred to the method suggested by the gentleman from Tennessee as the way to reduce taxes; that is, by taking off the last taxes that were imposed. If we followed that to a logical conclusion we would have to take off the increase in liquor tax—that was the last one that went on—also the tax on cigarettes, and there are various other taxes. If you followed his formula they would have to come off before the personal exemption.

Mr. KEAN. Of course. I would like to call attention to the fact that the tax in the lowest income bracket, the tax on the little man, when the Republicans were in control in 1931, was 1½ percent instead of the 20 percent which it is now.

Mr. FORAND. Mr. Chairman, will the gentleman yield?

Mr. KEAN. I yield to the gentleman from Rhode Island.

Mr. FORAND. The reason I am asking the gentleman to yield is not to take issue with anything he has said but to bring up the question that was put to me and I cannot answer. I hope that either the gentleman from New Jersey, the chairman of the Committee on Ways and Means or any other Member will be able to give me the answer. The gentleman will recall that in committee I brought

up the subject of these various companies that are buying going plants and liquidating them. I wonder whether or not under this double taxation feature, the gadget we have in here, that would not be an invitation to some of these fly-by-night organizations to go out and buy plants.

Mr. KEAN. No, it would not on account of the fact that the declining balance can only be on new machinery and equipment, not machinery or equipment that is bought second hand.

Mr. FORAND. A fly-by-night operator could come in, build a plant and take advantage of this depreciation over the period of a few years, then sell out, liquidate his plant. He already will have, within 5 years, recovered two-thirds, at least, of his capital insofar as depreciation is concerned; is that correct?

Mr. KEAN. Yes.

Mr. FORAND. I wish somebody would give that serious thought so as to give me a definite answer sometime before the debate is concluded. I do not expect the gentleman to do it now, because it is too deep a question.

Mr. KERSTEN of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. KEAN. I yield to the gentleman from Wisconsin.

Mr. KERSTEN of Wisconsin. Does the gentleman know the amount of personal exemption, or exemption for families, when the Democrats took over in 1931?

Mr. KEAN. Yes. The exemption when the Democrats took over was \$3,500 for a married person and \$400 for a dependent, and they reduced that steadily. Of course, as I said in the early part of my speech, the exemption today for the average American family is greater than it was at the time the war started.

Mr. KERSTEN of Wisconsin. I thank the gentleman.

Mr. FORAND. Mr. Chairman, I yield such time as he may desire to the gentleman from Michigan [Mr. RABAUT].

Mr. RABAUT. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. RABAUT. Mr. Chairman, the bill now before us indicates, it seems to me, the willingness of the present administration to follow a policy of deficit financing for the sake of redeeming a campaign pledge. The realities of our budget situation have, I presume, dawned on them after a little more than 1 year in office, but the clamor of their political supporters for tax relief has drowned out the weakened echo of their companion pledge to balance the budget, and thus, we have the bill before us today.

If we can accept the President's assurances in his January 21 budget message that his administration has experienced some success in "improving the budgetary outlook," the question then becomes how best to reduce taxes. What principles, in other words, will we apply to this revision of the revenue

laws in the light of the economic situation prevailing today?

This administration has consistently shut its eyes to the seriousness of what it has called a rolling readjustment in the economic life of the Nation. It has sat by complacently as unemployment figures have mounted sharply in every corner of the Nation. While more than 100,000 people in my own city of Detroit have lost their jobs, the administration has played down the emergency nature of this basically human problem, and the bill before us is clear evidence that there is, at this hour, no inclination to look the facts of life square in the eye and to act courageously to avoid their consequences.

Dedicated to the trickle-down theory of political economics, the administration has put the emphasis in this bill on releasing more income for investment purposes. The concessions in this bill for corporations and stockholders have been defended as a means to the end of stimulating more investment and consequently expanding productive facilities.

The bill is heralded, nevertheless, as a relief measure for the average taxpayer. It seems to me that Republicans have a distorted picture of the average American taxpayer. Only 15 percent of the tax relief provided in this bill will go to taxpayers whose incomes are under \$5,000 while 41 percent goes to those in the bracket of \$5,000 or over and 44 percent goes to corporations. When the bill is fully effective, only a measly 6 percent will go to those in the under \$5,000 bracket.

Typical of the provisions in this bill which are definitely not relief for the average taxpayer and which reflect the traditional Republican "trickle-down" theory of economics is the so-called dividend tax credit. When fully effective this provision will permit persons receiving corporate dividends to have the first \$100 of the dividend income tax free, and will also permit them to reduce their tax bill by an amount equivalent to 10 percent of their remaining dividend income. This means that a person with \$2,100 in dividend income will be allowed \$100 tax free, and then will be allowed to reduce his tax bill, and increase his take-home pay by 10 percent of the remaining \$2,000—or by \$200.

Income from dividends is high at the present time and profits have been plowed back into corporations in record-breaking amounts. Furthermore, 92 percent of American families own no stock. Of the remaining 8 percent, six-tenths of 1 percent own 80 percent of all publicly held stock.

This is not, therefore, by any stretch of the imagination, relief for the average taxpayer and, I am convinced, that it is economically unsound in the situation facing us today.

During World War II and the Korean emergency, this Government greatly assisted industry in the expansion of productive facilities. Today, we are the industrial and manufacturing colossus of the entire world.

With the end of hostilities in Korea, we are now searching desperately for

peacetime uses for thousands of plants and machines. So, there is no need at present for stimulating industrial expansion.

What we do need is a tax measure that will increase the purchasing power of those who will spend their money and that means the millions and millions of Americans in the lower-income brackets, because purchasing power is the only economic force that will increase sales, reduce inventories, increase orders to wholesalers and manufacturers, and then, increase production, payrolls, and jobs. Whatever the increase in incentives provided in this tax bill for equity capital, there will be no increases in sales or production if people do not have the money to buy and people without jobs do not spend money.

Certainly there are a number of beneficial provisions in this huge and complex piece of legislation, provisions which I would ardently support if they were not wrapped up in this economically unsound package.

It is my intention, therefore, to support a motion to recommit this bill with instructions to strike the dividend tax credit and to increase the personal and dependency exemptions from \$600 to \$700.

This increase in the amount of exemptions is the most direct way to release consumer buying power. It would remove 7 million taxpayers completely from the tax rolls. It would mean a tax saving of \$80 per year for a married taxpayer with 2 dependents and having a net annual income of \$4,000. Translate that saving into millions of dollars marching into automobile showrooms, home-appliance stores, farm-equipment dealers and you have some idea of what can be done in this bill to alleviate unemployment and give real relief to those in the greatest need. I mean real relief because this would be more than a tax savings, it would mean jobs, and jobs are desperately needed by millions of Americans at this very moment.

I urge my colleagues to support this motion to recommit and I invite my Republican friends to join with us.

Mr. FORAND. Mr. Chairman, I yield 5 minutes to the gentleman from Missouri [Mr. BOLLING].

Mr. BOLLING. Mr. Chairman, in the last few days I have had an opportunity to examine two reports that have come from agencies of the Government. One is from the Office of Business Economics of the United States Department of Commerce, and the other one was made available to the press today by the Federal Reserve Board.

After studying the two very interesting reports, I am inclined to the belief that if my distinguished colleagues on the Republican side of the aisle would study these reports with care, and if the President of the United States had studied them there might be less talk about politics in the matter.

Now, I am a member of the Joint Committee on the Economic Report, the minority of which unanimously recommended an increase in personal income-tax exemptions and a reduction in excise taxes. I would like to point to the Re-

publican Members of the House that there are conservative economists who feel that there is a legitimate argument between these two points of view on taxes. I happen to believe that under certain circumstances there is considerable force to the argument made by the administration that it is important to increase the amount of money available for investment so that additional plant and equipment can be built, thus creating jobs. The argument is classic. But I think it equally obvious that another approach makes some sense, too. And that is that if we have a situation where our productive capacity has out-run our capacity to consume, it is sensible to do something to increase the ability of the consumer to buy those things which our productive capacity brings into being. It is a fact that during the period immediately after Korea we did a great deal to increase our productive capacity. The number of tens of billions of dollars in accelerated amortization that we granted to industry to increase productive capacity reveals how much plant expansion there was.

Now there is very good reason to believe that at the moment, with unemployment increasing, with our productive capacity so great, the imbalance is on the side of consumption. This, I believe, is a fair statement of the two sides in this discussion. Both can be legitimately advanced by honest and thoughtful men.

What is important for us to consider now is that two very significant reports have been made recently. The Department of Commerce report was released today. The other report, from the Federal Reserve Board, was furnished the press today for release tomorrow. Do not misunderstand me. Someone might get the implication from what I say that the Federal Reserve is holding off release of this particular report until tomorrow because they think it might have an influence on this tax legislation. Frankly, I believe this report might influence the vote on this legislation, but I do not believe the Board deliberately postponed the release date. I believe the timing of the release is entirely accidental.

The Department of Commerce report indicates that despite the fact that business knows the administration position on tax legislation, business plans today to invest 4 percent less in the current year than it did in 1953. Thus, despite the fact that business obviously knows the intent of the administration, there is going to be 4 percent less, if business plans are followed through, invested in plant and equipment in this year than during 1953.

The other report is the annual report of the Federal Reserve Board with regard to consumer finance. This report is prepared by the Federal Reserve Board in cooperation with the University of Michigan Research Center. It shows very clearly that based on what a scientifically selected sample of consumers said in January and February of this year, consumer plans to buy goods, particularly housing and hard goods, have decreased compared with last year.

I think this is a convincing argument that what we need to do is to give the

consumer greater purchasing power today. Only by so doing can we stimulate the economy to a quick return to full employment. Tax relief to the mass of consumers is the quickest way to get the job done. The motion to recommit which will be offered makes good economic sense.

Mr. VURSELL. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the Record.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. VURSELL. Mr. Chairman, in discussing this tax bill before us, let us get the truth as to who has been robbing, with unbearable taxes, the small taxpayers for the last 20 years. I suggest, since the Democratic leadership has suddenly become the champion of the small taxpayer in this session of Congress, that the small taxpayer and the people take a look at the past of the party leaders, and see what they have done to the little taxpayer for the 20 years they have been in power. They say in this bill they want to raise the exemptions of the little taxpayer from \$600 to \$700. The record shows that when the Republican Party went out of power in 1932 a husband and wife had \$3,500 tax exemption. The Democratic administration began reducing these exemptions until in the 15 years following they had whittled these exemptions of the husband and wife down to \$500 each. Also, they had whittled down the single person's exemption from \$1,500, under the Republicans, to \$500 exemption, under them.

And to make it tough on those small taxpayers, the Democrats increased taxes in hundreds of different ways until they had all of the little taxpayers paying heavy excise or hidden taxes on everything they bought.

By comparison, when the 80th Republican Congress came to power in 1947 our first move was to give the little taxpayers in the lower bracket an increase of \$100 in exemption, raising it from \$500 to \$600. In that tax bill we also gave all people their first tax reduction in 15 years of about \$6 billion; gave them the \$100 extra exemption, and gave the older people over 65 years of age each an additional \$600 tax exemption. This removed over 6 million people from paying any taxes. The Democrats then took the same position of opposition they are today taking on the floor of this House when we are trying to give the people a total tax reduction of \$7 billion. The same leaders of the party fought that tax bill for the same apparent political reasons they are fighting this tax bill today.

They are employing the same tactics. They offered a motion to recommit that tax bill and the same leaders will offer a motion to recommit this tax bill. These leaders and 159 Democrats voted to recommit that Republican tax relief bill, while 258 Republicans voted against recommitting the tax bill, and it was sent to the Senate, which upheld the Republican action in the House, and it then went to President Truman. The President vetoed the bill, and the same leaders and 88 Democrats voted to uphold the

President to give the people at that time no tax relief.

However, all Republicans, supported by a number of Democrats, voted to override the President's veto, with a total of 311 votes, and the little taxpayers got a general reduction of about 11 percent, plus the extra \$100 exemption for every taxpayer, plus the \$600 exemption for all of the older people over 65, which they have all been enjoying for the last 8 years as the result of the action of the Republican 80th Congress.

They said then, as they are saying now, and the labor bosses that were working with them then, as they are working with them now, said that it was a rich man's tax bill, even though they knew that the small taxpayers got, in every instance, a much greater percentage reduction than did those in the higher brackets. While the small taxpayers got over 11 percent reduction, those in the highest brackets got as little as 2 percent reduction.

For 20 years their party was in power, following a policy of tax and tax and spend and spend. At the close of their tenure of office 1 year ago they had laid more and more taxes on the people until no housewife or other person could buy anything over the counter unless the price of that article had been inflated by direct and hidden taxes, which has brought to the American people the highest taxes in their history.

Direct-tax collections from individual citizens under their leadership has gone up from only \$427 million—not billion—to \$30 billion—70 times as much.

Tax collections from corporations are 35 times as much.

Sales-tax collections on everything everybody buys have gone up 20 times as much under the Democratic administration.

May I say here that the Democrats tried to recommit, and failed, the bill we passed last week in this House which will cut the excise or sales tax the people have to pay by over \$915 million.

Let me show you what they have done to the average family. When the Democrats came to power in 1933: if a married man with two children had to pay on a net income of \$5,000, his taxes were \$68, but in 1952, when Democratic rule ended, the same man had to pay \$461, nearly seven times as much.

He had to pay 10 times as much taxes on some articles, 25 percent more on cigarettes, more than 3 times as much taxes on his auto, twice as much on gasoline, twice as much on radios, and he was paying Federal sales taxes on thousands of things that were untaxed in 1933.

These spenders that are trying to defeat this tax bill today ran the national debt up to \$256 billion, and, by resulting inflation, got the cost of living so high that it cut the people's dollar in spending power down to 50 cents. Food went up nearly 4 times; clothing more than double; housefurnishings went up 2½ times.

For the past 20 years the Democrats have been shouting for higher spending and higher taxes. For the past 20 years they have constantly raised taxes and

never once reduced them. They, apparently, lost their voice so far as reducing taxes was concerned, but now, in this election year, when they want to return to power, they have suddenly found their voice and, for the first time, are shouting about reducing income-tax exemptions.

Knowing their past record has been so bad they have no worthwhile issue to present to the people in their mad scramble to get back in power; they are suddenly full of compassion for the little fellow, but, apparently, not for the little fellow's children and grandchildren, who will have to pay an increased national debt they would pass on to them.

If they have their way, which they will not, they will prevent the people from having a balanced budget, which will start another wave of inflation that will cost the little taxpayers, each year, in higher prices, twice as much as the small amount they would save in taxes by securing an extra \$100 tax exemption.

The people asked for a change.

After 20 years of waste, extravagance, and corruption in Government, the people lost confidence in the leaders of the Democratic Party and voted in 1952 for a change.

Under the reckless spending and the heavy burden of taxes the confidence of the people was destroyed to the point in the past administration that they were selling their bonds by the hundreds of millions of dollars a year into the Federal Treasury faster than the Federal Treasury could sell bonds back to the people. They voted to put President Eisenhower at the head of this Nation by a tremendous majority and elected a Republican Congress. They want him and his party to lead the way and clean up the mess we inherited.

Within 1 short year under this new leadership the people have regained their confidence which is indicated in the fact that they are buying hundreds of millions of dollars worth more of savings bonds today and keeping them for investment more than are being turned in and cashed by the Federal Treasury.

They have seen the war stopped by the new administration and they are grateful throughout the Nation. They have seen the application of honesty, integrity, and economy in Government and they like that change. I will have more to say about that economy in a minute.

May I say to the minority leaders who have been claiming in the past that they want to support the President, that the position they are taking on this bill when the chips are down, which the President, the Republican leadership, and the best-informed people in the Nation know will mean so much to fight off a recession and to put the country on a sound, prosperous, and expanding economy and making jobs for millions of people, certainly refute your former statements. They want the President to lead. They want you to follow and help him. You have had your try and failed.

In the past campaign we told the people that our policy on the domestic front would be at the earliest possible date to reduce taxes and balance the budget. We are keeping that promise.

In the campaign your party declared we could do neither of them. Is it the policy of you of the minority party to disregard the interest of the people and the Nation by trying to prevent President Eisenhower and the people from having a balanced budget and a reduction of taxes?

We cut the Truman budget last year which he said could not be cut, by approximately \$14 billion. That was our first step to give the people tax relief and the hope of giving them a balanced budget. Had we not done that, we would not be trying to reduce taxes by \$7 billion in this session. But we did it, and if the minority party will cooperate in this tax bill and for a further reduction of the cost of government, we may yet, in this session, be able to reduce the cost of government sufficiently to have a balanced budget this coming July 1.

We have reversed your past spending policies to the extent that we will be within striking distance of a balanced budget and at the same time give the American people \$7 billions in tax relief. If you are able to force this additional \$100 tax exemption it will give no benefit to the people in the lower bracket. It will start a wave of inflation which will raise the cost of living more than enough to wipe out the \$20 or \$30 a year they would get in tax reduction. It will increase the budget deficit by \$2½ billion more at a time when our party and the people not only want a tax reduction, but want a balanced budget that will prevent further inflation.

At this time when we are making a transition from a war economy to a peacetime economy and have before us sound policies, including tax reduction so far as our economy will stand, in an effort to make this transition from a war economy to a peacetime economy and prevent a recession; this is a time with world conditions as serious as they are for the Members of this House on both sides of the aisle, to have the courage to do the things they know to be right; to have the courage to tell the American people the truth. This is the time for the Members of this Congress to reach, before the people we represent, the pinnacle of statesmanship, which will give them the confidence they need now, rather than to revert to cheap political expediency.

A RICH MAN'S TAX BILL

The minority leaders pull out that old shopworn scarecrow by calling this a rich man's tax bill. Of course, nothing could be further from the truth. I wish I had time to tell the millions of poor people and those in the small bracket who really need tax relief the reduction in taxes this bill will give them.

This bill will give relief to the heads of families and to the widows. It will give tax exemption relief to the school-teachers, firemen, the elderly people living on meager earnings. It will give relief to countless thousands who buy automobiles, refrigerators, or anything on installment payments. It will allow greater reductions for doctor bills, medical care, child care, on insurance premium, and to those drawing annuities and retirement income. It will give to

that group alone \$125 million in tax relief.

In fact, it gives in tax relief to all individuals \$778 million.

Now, let us see how we treat the rich and the corporations, to which the minority has referred to as receiving special treatment.

Instead of letting the present corporation tax of 52 percent drop to 47 percent on April 1, we are extending that tax which will cost the corporations \$1,200,000,000. We are extending that tax for another year, because we prefer to and are giving the individual income-tax payer \$778 millions relief. We are extending that corporation tax for the further reason that if we reduced it April 1, it would add to the budget deficit another \$1,200,000,000. Yet, for political purposes, the labor bosses through their magazines and the minority party try to make the small taxpayer believe that this bill before us favors the well-to-do rather than the great majority of the people in the low and middle tax brackets.

Such a statement is an insult to the intelligence of the people in the lower brackets, and they will not be deceived. They are more intelligent than some politicians believe them to be.

Mr. McVEY. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the Record.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. McVEY. Mr. Chairman, in the beginning, I should like to compliment Congressman DANIEL A. REED and his committee for the accomplishment of a most difficult and burdensome task in their effort to bring out before the Congress a revision of our Internal Revenue Code. This committee has endeavored to bring out a bill that is consistent with the responsibilities of our Government. The hearings which this committee has held have resulted in a bill which consists of 875 pages of information packed with discussions and statistics.

The attitude of the chairman of this committee, Congressman REED, with regard to reduced expenditures and reduced taxes is well known by the people of this country from the Canadian border to our southern boundary, and from the Atlantic coast to the Pacific coast. Certainly no one has tried harder than he has to relieve our people of the burdensome taxes which the last 20 years have placed upon us. One of the most important questions arising in connection with this measure, H. R. 8300, refers to the possibility of a raise in the exemption of those who pay income taxes. This is a question that has given me a great deal of thought.

Last week Congressman BISHOP came to me with a paper asking me to state my position with regard to the change in the amount of income-tax exemption. I told him that I wanted to have more time to think about this subject. Later Congressman ARENS came to me, and I gave him the same type of answer. I wanted to study this problem because I think it is packed with more dynamite politically than anything that has heretofore been

considered by this Congress. Our position with regard to what should be done is going to test our measure as proper representatives of this country before the bar of public opinion. We are going to indicate to our people whether we are politicians catering principally to votes, or whether we feel it is our duty to work for the general welfare of our country.

I am one of the millions of Americans who would have been pleased to see expenditures reduced more rapidly; I am one of the millions of Americans who feel that after the expenditure of more than \$100 billion abroad to help other countries, we might well begin to look more closely to the interests of our own people. Of course we know that an increase in the tax exemption is a matter in which the people are intensely interested. But today we face realities. We have a budget which we must attempt to balance, and what we think of our expenditures and the need for the reduction of them is only a part of the factor which we must consider at this moment. We have a fiscal responsibility to perform. The President has told us that he expects a deficit of something less than three billion dollars if his program is followed by the Congress. Unless we provide for a greater reduction in expenditures, an increased tax exemption will add about two and one-half billions of dollars to that deficit.

Now, I am decidedly for an increase in the amount of the tax exemption. I believe the increase from \$600 to \$700 is entirely logical and reasonable under the proper circumstances. One thing that concerns me is that the same crowd which intends to recommit this bill with instructions to increase the amount of the tax exemption, is the same crowd that year after year has voted for our foreign aid program and other expenditures which have unbalanced this budget most of the time for the last 15 years. If the same practice is followed this year, we shall have an unbalanced budget that compares pretty well with the type of budget to which those who are in favor of this recommitment proposition have been accustomed, and which helped to produce the situation that has been so detrimental to our American economy. We have seen the deficit in our budget increase from year to year, until we now have placed upon our people a debt burden of approximately \$275 billion. There must be an end to this type of financing.

Now, let us look at the most recent appropriation of this Congress for a moment. Congress last year appropriated approximately \$14 billion under that approved by the former administration. This saving has been passed on to the public in the way of spending money, and it is well known that every appropriation bill which has come before the House this year has provided for additional cuts in spending. The proposed saving this year is approximately \$7 billion, but I believe this can be extended further.

Now, let us look at the income-tax exemption for a moment. The record reads as follows since September 8, 1916. At that time personal exemptions for taxpayer \$3,000. There was some re-

duction in the amount of this exemption during succeeding years, but no great change came until June 25, 1940. At that time, the personal exemption for head of a family was \$2,000; credit of \$400 for each dependent. In the following year, personal exemption for head of a family was reduced to \$1,500 and credit for each dependent was \$400. Another change came in the Revenue Act of 1942 when personal exemption for head of a family was reduced to \$1,200 and credit for each dependent was \$350. On May 29, 1944, the revenue act reduced the tax exemption of husband and wife to \$1,000 and a dependent \$500. This exemption was further reduced in the year of 1945, when we find that the exemption for a taxpayer was \$500, and the exemption for each dependent was in the same amount.

No relief came for this problem until the Republican Congress of 1947 to 1948, when on April 2, 1948, the exemption for a taxpayer was raised to \$600. The record plainly reveals that those who now are in favor of raising the exemption to \$700 belong to the same group that year after year has reduced this exemption, and no relief is found in the record until the year 1948. Never in the history of this country did the group which is sponsoring the recommitment of this measure relieve in any way the burden of taxation on the part of our people by raising the exemption. The record shows that it has been downward continuously. Now, when that group is not in power and when it does not seem to appreciate any fiscal responsibility, for the purpose of vote getting it desires to make an increase in that exemption a part of this tax bill before us.

Never, on the floor of Congress, have I seen politicians catering to votes more flagrantly than on this occasion. Fiscal responsibility seems to be completely lacking. Any attempt to balance the budget and to preserve the soundness of the dollar that is so important to this country does not enter in to the minds of those who want to play havoc with the revenues of this country. The welfare of our country and its people is a secondary matter altogether. The soundness of the American dollar does not enter into the calculation at all. Are we so blind in our experience with deficit financing, deficit spending, unbalanced budget, and almost a 50-percent decrease in the value of our dollar, that we are unable to judge correctly the course that we are following?

I have stated previously that I am in favor of an increase in the amount of tax exemption, but that type of legislation has no place in this particular revenue bill. It is my feeling that we can increase the amount of tax exemption by sidetracking or materially reducing our foreign aid spending bill this year. We have spent billions of dollars in the support of countries which have never stood by our side in time of war, and there is not much likelihood that they ever shall render such assistance to us. I could give you the figures showing that we have spent hundreds of millions of dollars in the support of countries that are now balancing their budget, reducing taxes, and bringing relief of this

character to their people. Some of our money has been well spent in this direction, but the nature of the times, in my opinion, does not warrant a continuation of our foreign-spending program, except in the protection of military bases for which we have made commitments already. This expense can be met by our military-spending program without detriment to our own security.

I did not vote for our mutual-security program last year because I thought it entailed too great an expenditure, and I do not propose to vote for it this year. By eliminating this expenditure, we can increase the amount of our exemption to \$700, and, in addition, balance our budget, which, in my opinion, is the most important thing we can do for the American people; but these things ought to go together. If we vote an increase in exemption now and then pass the foreign aid spending program, we are going to close this year with a deficit which we are committed to the American people to prevent. This, it seems to me, is a simple way of raising the amount of our exemption and balancing our budget—two accomplishments in which we could take just pride. If we will do this, then we can face the future with pride in our hearts and not shame on our lips.

Mrs. ST. GEOFFGE. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the Record.

THE SPEAKER. Is there objection to the request of the gentlewoman from New York?

There was no objection.

Mrs. ST. GEORGE. Mr. Chairman, I received the following telegram from the American Farm Bureau Federation, giving their views on the retention of the \$600 exemption. This fine, intelligent, and patriotic statement certainly deserves a place in the Record:

WASHINGTON, D. C., March 17, 1954.
HON. KATHARINE ST. GEORGE,
House of Representatives,
Washington, D. C.:

The proposal to increase personal income-tax exemptions is not feasible at this time in view of other tax reductions effective this year and the continuation of present levels of expenditures. The income-tax base should be kept broad through retention of the present \$600 exemption. All self-supporting persons should make a direct contribution to the support of the Federal Government. When the budgetary situation permits further reduction in income taxes, we would prefer a reduction in rates, particularly in the lower brackets, in preference to higher exemptions.

JOHN C. LYNN,
Legislative Director,
American Farm Bureau Federation.

Mr. PERKINS. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the Record.

THE SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

Mr. PERKINS. Mr. Chairman, on January 6, 1953, I introduced a bill to increase the dependency allowance for income tax from \$600 to \$800. I am still in favor of this plan and think it is preferable to the \$100 increase in exemptions proposed here. However, it is desirable that the purchasing power of the little man and the wage earner be

increased immediately. For that reason, I reluctantly accept this proposal for a \$100 increase in exemption. This will increase the purchasing power of a wage earner with a family of 3 by approximately \$5 per month. This amount is pitifully small, but for the average worker who is earning \$50 per week, this is something that means better food, adequate clothing, or sometimes necessary medical attention for the family.

The economic conditions of the country are not improving. We have just seen February end with the highest unemployment-insurance claim load of the year, less than 5 percent below the post-war peak of 1950. The upturn in employment that was supposed to come in March has now been hopefully postponed until May. Factories are not calling their workers back. Retail establishments look forward hopefully to the Easter boom in sales but as yet only hopefully, and they are not calling many workers back. The purchasing power of our consumers is down and surplus inventories are being depleted slowly if at all. The only immediate remedy is an increase in the purchasing power of the consumer and the greater the base the more effective it will be. This proposal reaches the greatest possible base.

In my own State of Kentucky 11 percent of the insured workers filed unemployment claims during the first week of March. This group is not interested in lower taxes but rather in higher earnings. However, the employed group is interested in increasing its ability to buy, to purchase the essential needs for themselves and their families, to send their children to school and enjoy the fruits of their labor. An increase in the consumer purchasing power will quickly be transferred to new jobs and a great part of the two and a quarter million workers now dependent on unemployment-insurance payments will again become wage earners able and anxious to become profitable customers again.

The next immediate need of this country is jobs for the unemployed and the first step in that direction will be made if we adjust the tax program in line with the readjustment now facing our national economy. The second step will be to initiate a sound public-works program. The Comprehensive Flood Control Act of 1938 authorized a flood-control program for the Mississippi Valley. In my own community this included dams and reservoirs in the Big Sandy and Kentucky River Valleys. An immediate start on these projects, together with a revision in our tax program to increase purchasing power, will go far to prevent the present recession, readjustment, or whatever you may call it, from becoming a major depression. I do not concur in the theory that we should stand idly by, postpone the critical date from March to May and from May to some other indefinite date in the hope that prosperity is just around the corner. I have repeatedly urged action by the executive branch of the Government and on the floor of this House. It is not too late, but time is running out. Let us take the first step here today to increase consumer purchasing power and

maintain our American standard of living, which means so much to all of us.

MR. GENTRY. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the Record.

THE SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

MR. GENTRY. Mr. Chairman, most of the debate today is mainly occasioned by reason of a motion that supposedly will be made to recommit this bill with instructions to the Ways and Means Committee to report it back with the dividend clause excluded and the substitution of a provision giving our 54 million taxpayers and their dependents an exemption of \$700 for income tax purposes instead of the \$600 now allowed.

This Congress, over strong and determined opposition, has taken actions that have reduced expenditures and effected savings of billions of dollars for our people. The result of such a course of action and policy, rigidly adhered to, is reflected in the fact that during this year, 1954, income taxes have been reduced 10 percent, excess profit taxes have been eliminated entirely and most excise taxes have been reduced to 10 percent from their former rates of 15 percent, 20 percent or 25 percent.

These reductions in taxes were made possible only because a majority of the Members of this House—many times only a bare majority—believed that the people of our country were entitled to a tax policy by Congress that not only would reduce taxes this year but should be followed by Congress until taxes became more in line with what people can afford to pay.

When Congress permitted the 10 percent income tax levy to lapse in January, it saved individual income taxpayers \$3 billion. When we allowed excess profits taxes to lapse at the same time, we saved corporate taxpayers \$1.7 billion. When we reduced excise taxes to 10 percent last week, we saved individual taxpayers another \$900 million.

Now, what is the situation confronting us today? We have for consideration H. R. 8300, the Revenue Revision Act for 1954. One of its provisions extends corporate taxes to 52 percent for another year. By operation of law, these taxes would have been lowered to 47 percent. Extending the 5 percent additional tax for another year will raise an additional \$1.2 billion in revenue. H. R. 8300, however, affords relief and corrects inequities in many instances. The approximate amount of saving to taxpayers, both individual and corporate in this bill, is approximately \$1,400,000,000.

Then we have the provision in this act which is known as the dividend exclusion provision. Since 1936, in addition to corporations having to pay taxes on any income earned by them, the law has provided that individual owners of the stock also had to pay taxes on the remaining income without any credit whatever for the fact that the earnings of their stock had already been taxed. Between 1906 and 1936, some credit was given to individual owners of common stock receiving dividends by reason of their stock earnings having already been

taxed. Before 1906, the earnings of corporations were taxed only once.

If this bill is passed as written, the revenue lost from the dividend provision during fiscal year 1955 will be \$240 million. If the \$100 extra exemption is substituted for the dividend provision, the revenue lost will be \$2,300,000,000. This substitution, therefore, would further unbalance the budget by more than \$2 billion. In fiscal 1956, provided the motion to recommit carries and the additional exemption is substituted for the dividend exclusion provision, the revenue lost thereby would be \$1,700,000,000.

With the exception of two or three instances, I have been one of the majority in this House who voted for the reductions in expenditures which alone have made any tax reductions possible. I have lost some votes on appropriations which, had they been won, would have made possible the passage of the motion to recommit with safety to our financial structure and, in addition, probably would have balanced the budget. But that is water over the dam.

The first and greatest requirement of any sound, governmental financial system is a balanced budget, which means that a country is living within its income. It is my opinion that our own country's economic system can be destroyed if we reach the point where concern is lost over whether or not it lives within its budget.

It is well that a motion to recommit this bill be made. In my opinion, it should provide only for the striking of the dividend exclusion clause from the bill, and it should not provide, considering the state of the budget, for any substitution that would deprive the Government of any revenue whatever, much less one that would strip the Government of more than \$2 billion yearly. Should such a motion be made, it would receive my vote. This does not mean that I think the dividend provision is a bad one. Instead, I think it is one which, if this House continues its insistence on economy, may, in time, receive its consideration.

While it is my opinion that sound financial policy dictates that neither the dividend nor the added exemption provision should be in this bill, I would also support a motion to recommit it for the substitution of an additional exemption provision for income-tax payers which would deprive the Government of no more revenue than will be lost by the dividend provision of H. R. 8300.

There is nothing truer than that the income-tax payers of this country are deserving of a greater exemption than they are now getting. It can and should be afforded in the next revenue act, provided the 84th Congress is determined to continue a program of economy. It should not be given now, because the Government would simply have to borrow the money lost by such an additional exemption and thus further increase our great national debt. While everyone knows that it is good politics to vote for the motion to recommit, it is, in my opinion, not in the interest of good, sound government.

MR. REED of New York. Mr. Chairman, I ask unanimous consent that all

Members who so desire may extend their remarks on H. R. 8300 at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. WOLVERTON. Mr. Chairman, it is my desire today to add to the remarks I made on the pending bill yesterday. Today, it is my intention to confine my remarks to the subject of a \$100 increase in the exemption now allowed in the revenue law.

The effort that is being made by the Democratic minority to increase the present exemption by \$100 is all out of proportion to the actual benefit that would come to the small taxpayer. The extravagant language that is used to support this effort would indicate to an unthinking person that if adopted it would amount to something of a great benefit to the little taxpayer. Now, let us examine just what it would actually mean to such taxpayer. The following table which shows the reduction it would mean to taxpayers, is so surprisingly small, that it makes the extravagant arguments that have been made in behalf of the small taxpayers as almost ridiculous. For instance, those in the \$700-income class, if a single person, would benefit only to the extent of 38 cents per week, and, if a married couple, it would provide no additional reduction over that such couple now has, and the same would be true even if the married couple had two dependents. Those in the \$1,000-income class would likewise, if a single person, only benefit to the extent of 38 cents per week, and if a married couple with no dependents there would be no additional reduction, nor would there be even if such married couple had two dependents. I have mentioned these two classes to illustrate how inconsequential would be the so-called saving to the little taxpayer. And, as will be seen from the following table, the reduction continues to be small no matter what income class you may be in. With this thought in mind, consider for yourself how small the reduction would be in your own income class.

Tax reduction per week realized from \$100 increase in exemption

Income class	Tax reduction per week		Married couple, 2 dependents
	Single person	Married couple	
\$700.....	\$0.38	Nothing	Nothing
\$1,000.....	.38	Nothing	Nothing
\$1,400.....	.38	0.77	Nothing
\$2,000.....	.38	.77	Nothing
\$2,800.....	.38	.77	\$1.54
\$3,000.....	.42	.77	1.54
\$4,000.....	.42	.77	1.54
\$5,000.....	.50	.77	1.54
\$8,000.....	.58	.85	1.69
\$10,000.....	.65	1.00	1.69
\$15,000.....	.90	1.15	2.31
\$20,000.....	1.02	1.31	2.62
\$25,000.....	1.13	1.46	2.92
\$50,000.....	1.38	2.27	4.54
\$100,000.....	1.67	2.77	5.54
\$300,000.....	1.75	3.42	6.85
\$500,000.....	1.75	3.50	7.00
\$1,000,000.....	1.75	3.50	7.00

Thus, it can be seen that even though you were in the \$1 million income class, it would only mean a reduction of \$1.75

per week if single, and, for a married couple, \$3.50, and, for a married couple with 2 dependents, only \$7 per week. And remember the taxpayer would have to be a millionaire to get even that reduction. It is my opinion that the table I have given shows the utter fallacy of the argument that something worthwhile would be done for the little fellow if the \$100 increase in exemption was adopted.

If there is real concern for the little fellow, it should be shown by supporting the present administration in its effort to cut down the expenses of Government, balance the budget, and thereby make substantial reductions in taxes. This has already been done by the present administration. It has in 1 year reduced the expenses of Government by over \$12 billion. It has reduced taxes by \$7 billion. In the next year it will still further cut Government expenses and reduce taxes in a way that will still further benefit our taxpayers.

When the Republicans turned over the control of this Government to the Democratic Party, as a result of the 1932 elections the people of our country had a \$2,500 exemption from taxes. During the years when the Democratic Party was in control this \$2,500 exemption was cut down to only \$500. At the time the Democratic Party took over the income-tax rate was only 1½ percent in the lowest bracket. Today it is 20 percent.

In the debate, time and again, statements have been made by those who favor \$100 increase in exemptions that would make it appear that the so-called little taxpayers were crying out loud to escape the payment of a part of the expense of carrying on our Government. I do not believe that such is the case. I believe that little taxpayers are patriotic. I firmly believe they are willing to pay a part of maintaining our Army, Navy, and Air Force to give us national security. They are willing to assist in the payment of benefits to our aged, our blind, and handicapped in life. They are anxious to assist our health program that means the building of hospitals and our program of providing medical and hospital treatment, and all the other benefits that are provided for those who come within the scope of Federal care. To increase the tax exemption to \$700 would mean the loss of over \$2¼ billion in revenue and would cause all these helpful programs to suffer. Even the little taxpayers do not want such a result.

What we need today is a continuation of a Republican Congress under the leadership of President Eisenhower that guarantees a continued reduction in unwise Government spending and a reduction in Federal taxes when and as our financial condition permits.

Mr. ASPINALL. Mr. Chairman, I wish to speak on the bill now before us, which has been characterized as one of the largest and most comprehensive legislative measures ever to come before this or any other legislative body. One cannot but agree that when we have a bill that contains 820 pages of fine print, which in turn includes and carries 8,023 different sections of the Federal tax law, then a most difficult task confronts each one of us. I would hazard a guess that but

very few of us have even had the time to read the legislation, let alone study it. The report itself is a document of 550 pages and this presumes that that many pages are required for even a basic explanation of the bill without all the ramifications which could be, yes, and indeed must be, added in tax consultation and review. We have here the new tax code—a complete résumé of our whole tax structure.

We are advised that 2 years of staff work went into the preparation of this and that some 15,000 replies to questionnaires were reviewed and something like 300,000 man-hours of time consumed in such preparation and review. The results of this groundwork were packed into a mere 6 weeks of final hearings. Finally, this massive document and the bulky report was ordered printed on the 9th of March of this year. Debate began yesterday on the 17th of March and final action is at hand today on the 18th. This is just 9 days for the uninitiated to become acquainted with all this material. It is patently impossible for such to be done. The time permitted is grossly inadequate for any study of so complex and comprehensive a proposition. Most of this covers material which the average taxpayer never even considers—collapsible corporations, carryforwards and carrybacks, transferred income, trusts, estates, income from foreign corporations, charity deductions, and so on, ad infinitum.

This is not to indicate that any disagreement exists on the proper place and the need for a revision and recodification of our tax statutes. That much is supported by all. However, we might at least have been offered this revision in digestible pieces. Forward progress should be made in terms of agreement on changing procedures and technical matters, deletion of obsolete language, and so forth, and then, and only then, should matters be taken up where substantive changes in tax philosophy are involved or where substantive changes in tax policies are recommended. We could consider, and support, the technical and administrative changes and then have time and debate for substantive changes. In this bill, we have not only necessary modifications but changes in tax philosophy and changes in tax revenues which will extend in amount and ramification over many years to come. It is just too much to have all in one piece and it cannot be digested or explained in a few minutes—as the President made amply clear in his nationwide address of the 15th. Top all this off with a closed or gag rule—where the House cannot work its will—and it is hard to conceive of a situation more difficult in which the average Member must operate. We are in the dark indeed.

The President has given his blessings to this bill and is standing behind it. I had hoped that in this session that I could give support to the tax proposals of the President and follow his wishes. However, in spite of this firm wish and the statement by the President on this bill, I am still convinced that this legislation as presented by the committee on a take-it-or-leave-it basis, shines benignly upon those best able to pay,

while hiding its face from the average person. Now, I have no wish to say that those most able to pay should not have, or do not actually need, some of the benefits provided for them in this bill, for I realize that taxes are always burdensome and hard to meet even for the large-income earner. Still, we must here represent the people across the board, big and little alike. If relief is to be given, it should be uniform in that we should see to it that such relief extends to all as best we are able to determine their need.

In January of this year, under mandate from the law itself—passed by the now minority party—the excess-profits tax on corporations was removed in the sum of \$2 billion, which must have given investment and job creation a slight push, and taxes upon individuals were cut nearly \$3 billion. Of that \$3 billion, 70 percent, or \$2.063 billion, was split by the 11.3 million taxpayers earning \$5,000 or more. The remaining 30 percent was divided by the 33 million taxpayers in the under \$5,000 group. That cut, which was proper and necessary as it had been a special emergency levy, should also have been some help to savings, investment, and job creation, if we use the theory of those now supporting the legislation presently before us—that is, that savings must come first. In the face of an impending deficit under this new balanced-budget administration, this might seem to be enough tax cutting. Just last week the majority advised that we could not eliminate the tax on admissions costing less than 50 cents. That sort of tax cut we could not have. We were informed that we could jiggle excise taxes by extending emergency levels—and only the minority kept this from being permanent—on some items and scale down excises in excess of 10 percent—although the outcome was an increase in total excises of about \$165 million.

Now, this revision bill, as it has suddenly become popular to designate it, still manages to include tax cuts, and these brought about by substantive tax changes which will increase in amount with the passing of time. We are told, it is true, that by extending the 52-percent rate on corporations that there is no loss by this bill since the extension will bring in \$1.2 billion for this fiscal year. However, the sponsors do not advise us as to the impact of the cut next year when the provisions of this bill are more fully operative and the 52-percent corporation rate goes back to 47 percent. No such modesty is in evidence, however, when the subject of the loss if the personal exemption level is presented.

Let me make clear now, that I wish that this bill could be divided so that we could adopt the needed technical and administrative changes and then have a look at the substantive changes. That I should be happy to support. In its present form, I find myself compelled to vote against the passage of the bill.

This comes with great reluctance. I am not concerned that such negative vote will be charged off to election year politics. What concerns me is that I must vote "nay" even though this bill, H. R. 8300, contains many admirable features which I should like to support.

These are now well known and include such things as the exemption for those retired and living on pension income, the exemption provided for certain working parents supporting children, the increase of medical costs which may be deducted, the allowance to deduct for a child in school under some conditions, the provisions on split family support, the deduction of soil-conservation costs by farmers and so on. I support these provisions even though I realize that the actual benefit to the small payer would be less than the same benefit to the one with larger earnings. These benefits do not approach the benefits flowing to corporations by extending one rate to bring in 1.2 billion and then allowing other tax favors in the form of depreciation allowances changes, foreign income changes and so forth, in the amount of 619 million—and more to come later. On the medical provisions alone, the total deduction must in most cases still exceed 10 percent of the adjusted gross income or the flat deduction of 10 percent will be taken by the small taxpayer who has no other fancy deductions. The more solvent taxpayer will find other fine provisions to aid in his deduction total.

I should like to close my remarks by saying that this whole measure is far too complex to have been digested at this time by a noncommittee Member. Still, even the average can quickly see the preponderance of benefits accrue this year, and such will accrue even more later, to those very taxpayers who have been most benefited by other tax cuts of this year. It can be quickly seen that there are sound alternatives to the proposed provision of eliminating what is called the double taxation of dividend income. The less than \$5,000 income earner is but lightly blessed in this document. Additionally, the very provisions of this act, when established as law, cannot but act to lock him in for many years as one who must heavily share the burden of Federal taxes. If the current downturn continues, and I hope that it does not, we shall learn again the hard way, that you cannot inspire the productive machine of this Nation by pumping Federal tax cuts in at the top. Such funds all too often go into sterile savings and the resultant curtailment of demand pulls down, rather than building up, the great structure of our marvelous economy. I insist that if the bill had been divided, it could have been supported. As it is, it is unfair and not worthy of support.

Mr. O'HARA of Illinois. Mr. Chairman, it is so simple that I am sure no one is being fooled, certainly not the American people.

Everyone knows that the election of 1952 broke all records in the amount of money spent by the Republicans. The supporters of the late Senator Taft charged after the primaries and the convention that it was big money and its use to an extent never before approached that defeated Mr. Republican. It was the same story in the election campaign.

Everyone knows that is the reason for the present give-away policy. The administration unfortunately must keep faith with the \$13 billion corporations

that put up most of the purchase price of the 1952 election.

I think the President would sooner have it the other way. But there is nothing he can do about it. The commitments were made by the practical politicians who managed the campaigns, primary and general election. The commitments they made in order to get the cash for the campaign cannot be ignored.

There is nothing in what I am saying that is not a matter of common knowledge.

COMING FROM THE WOODSHED

No one is being fooled as to the reason for some eleventh hour changes of heart in the other side of the aisle. I know that many of my dear colleagues on that side would prefer to follow their hearts and their minds. Certainly it is not a joy for them to eat their own words, as little boys coming out from the woodshed after a painful session with old man authority.

Everyone knows what is in the wind. Most everyone has an idea of the nature of the conversations in the woodshed. Do not come around later when the campaign needs fuel unless prepared to cooperate now.

Of course, the bill is loaded against the little fellow. I do not think the proponents make much of an effort to hide the fact. The trouble is that the arithmetic of this tax bill is as simple as 2 times 2, and it all adds up to the man or woman who works for a living with hands or with brain paying a higher tax than a man or woman who lives from clipped coupons. That just does not make sense, and words of denial cannot keep 2 times 2 from coming out 4.

There is some good in this bill. It was put there by way of sugar coating. Some of these provisions I have supported. I have supported them because they are just and equitable and they will help mothers and teachers and folks grounded down with medical bills. I shall continue to support such measures. It is too bad the good features are so few.

DOUBLE TAXATION TOMMYROT

Mr. Chairman, we have heard more than enough of talk about double taxation. Most of this is pure tommyrot. In a recent letter, a copy of which was sent me, the eminent Chicago attorney, Joseph F. Grossman, shows up the hollowness of this argument with conclusive finality. I might say that Mr. Grossman is esteemed one of the outstanding authorities of the Nation on municipal law. He is the special assistant corporation counsel of Chicago in charge of all litigation and rate negotiations with gas, electricity, telephone, and other public utilities companies. He knows the subject and he knows the laws.

I am sure my colleagues will find Mr. Grossman's letter most illuminating. I am quoting it in its entirety:

MR. GROSSMAN'S LETTER

DEAR SIR: I am burned up by the agitation in the press and in Congress concerning the injustice of double taxation of corporate income allegedly imposed by the United States internal revenue law. So-called economists, investors, and dealers in securities claim the Federal income tax unjustly discriminates against stockholders by taxing the earnings

of the corporation and again taxing the same earnings when paid as dividends.

How long can the public be fooled by its princes of industry and their Representatives in Congress? When has a stockholder of a corporation whose securities are widely held paid any part of the tax on the income of a public utility, industrial or other business? When has such corporation failed to include its income taxes in the cost of its services and products and to charge such taxes to its customers?

For example, in recent cases before the Illinois Commerce Commission and the courts, public utilities have applied for and have received increases in telephone, gas, and electric rates to provide a reasonable return to the investors in their equity securities, after taxes, payable by the corporation, as follows:

	Gross annual increase	Taxes	Return
Illinois Bell Telephone Co.....	\$16,518,000	\$9,046,000	\$7,472,000
Peoples Co.....	4,657,000	2,488,701	2,168,299
Commonwealth Edison Co.....	20,480,000	11,130,000	9,350,000

In the case of utilities the charges to consumers for corporate taxes, including Federal income tax, is made public. In unregulated business the public is not let in on the secret that all taxes, whether on real or personal property, income, or privilege to engage in business, on sales or on use of commodities, are in essence, excise taxes which are paid by the occupants of housing and the ultimate purchaser of things to eat, wear or enjoy.

Family or closely held corporations argue that the tax on dividends penalizes their form of business because if they were not incorporated they would be required to pay only one tax on net earnings. The answers to this argument are: (1) that these are the small businesses which do not affect the economy of the Nation; (2) that the corporate form of business is of their own choice for ultimate capital gain or to avoid personal liability in case of loss; and (3) the salaries of those in control of small corporations as well as widely held corporations are deductible expenses in computing the corporate income tax, and if dividends are taxed less than other income there may be a shift in the small corporations from taking earnings in the form of salaries to the form of dividends.

There was a time not so long ago when the United States internal revenue law provided a favored rate of tax on a limited amount of earned income. Now it is proposed to reverse the weights in favor of dividends over income from labor and personal services.

Would it not be preferable to hold to the reduction in the tax rate on corporate income effective April 1, 1954, without repeal, and relieve the masses who use water, gas, electricity, telephone, transportation, etc., as well as food, clothing and shelter, of a part of the burden of the cost of such services and commodities?

Very truly yours,

JOSEPH F. GROSSMAN.

Mr. DAVIS of Georgia. Mr. Chairman, I realize, as all of us do, that Federal taxation is approaching the confiscatory stage. Because of this, I have joined with other Members in organized efforts to cut down Federal spending and to reduce budget requests.

Last year those of us who worked for economy succeeded in cutting appropriations approximately \$13 billion and in

the year before approximately \$8½ billion.

I felt that even greater reductions could have been made, and tried to make them. However, we did not have enough votes to make deeper cuts.

In my opinion we cannot have real tax relief until deeper cuts are made in Federal spending. I believe that at least \$3 billion could be cut from President Eisenhower's requested appropriations this year. I hope that such reductions will be made, and I intend to vote for them as the various appropriation bills come up for action.

I have been disappointed that the present administration has not exerted stronger efforts to reduce unnecessary spending. I believe that our foreign-spending program could be reduced much more than the President has recommended. I hope that it will be so reduced. The last 6 months' report of the Mutual Security Administration recites such things as the spending of American tax money to rehabilitate India's railroad system. Twenty-five million dollars of a special fund of fifty-seven and a half million dollars was allocated for purchase of steel for India; another twenty million dollars to help finance the purchase of 100 new locomotives and 5,000 new freight cars in India.

Other millions were spent to buy fertilizer for India and to expand India's Sindri fertilizer plant, which is said to be the largest fertilizer plant in Asia.

Other millions have been spent for farming implements and agricultural machinery, and for drilling irrigation wells in India's farming areas.

India is only one of many countries where this kind of boondoggling is being carried on with American taxpayers' money, while Germany, our late enemy, has given tax relief to individuals up to 25 percent; Holland has given tax relief to her citizens; so has Canada, Great Britain, France, Israel, and Australia.

For my part, I have for some years been trying to get the rest of the world off the backs of American taxpayers, and I am ready to begin to try to give some relief to American taxpayers.

Sometimes the best way to stop extravagance is to cut off the money for the spenders. If they cannot get it, they will have to stop spending.

In my opinion, the disease calls for a drastic remedy, and since it is evident that the spenders in the Government are not going to voluntarily reduce their spending, let us cut off some of the money and apply some pressure in that way to cut spending.

I can see no good reason why our Government should continue to scatter American taxpayers' money all over the face of the earth in amounts up to six and a half billion dollars per annum, which was the figure for last year, and continue to tell the people at home they can have no relief.

All these countries which I have named as giving tax relief to their citizens are getting money from the United States, taken from the pockets of these American taxpayers to whom tax relief continues to be denied.

While the tax relief provided in this bill is small, it is a step in the right direction. I urge that this relief be granted, that substantial cuts be made this year in foreign spending and that waste and extravagance at home be stopped, so that real tax relief can be granted to our overburdened taxpayers.

Mr. MADDEN. Mr. Chairman, the so-called tax revision bill now under consideration, consists of 973 typewritten pages. The Ways and Means Committee has devoted months in holding hearings and deliberating with experts from the Treasury Department on writing this legislation. This legislation is being debated under a closed rule. The average Congressman who is not a member of the Ways and Means Committee, has not had an opportunity to properly legislate or offer amendments to this important bill dealing with the taxes of the American people. I have learned from testimony given by the members of the Ways and Means Committee when they appeared before the Rules Committee on this bill that most of the important provisions concerning tax reductions and concessions was voted upon in the Ways and Means Committee by a strict party vote.

Two weeks ago when the excise-tax legislation was on the floor of the House we learned that it was only by reason of the united opposition of the Democratic members of the Ways and Means Committee that the Republicans retreated from their position to make special wartime excise taxes permanent. The Democrats on the Ways and Means Committee are to be commended in securing this concession on the excise-tax bill which merely extended these wartime taxes for 1 year.

We have been listening to the debates conducted by the members of the Ways and Means Committee on this complex tax legislation for 2 days. There is no question in my mind that this bill is a typical piece of Republican tax legislation that grants numerous concessions and windfalls to the corporations and other large-bracket taxpayers.

Everybody concedes today that we are in a critical recession and unemployment is rampant throughout the country. Twenty-five years ago we learned that when purchasing power is at a low ebb, unemployment grows. If the Republican members of the Ways and Means Committee cooperated with the Democratic members on reducing the unreasonable tax concessions made to dividend recipients and other large-bracket taxpayers and increased the exemptions to millions of small-bracket taxpayers throughout the country, I could support this legislation. I intend to vote for the motion to recommit this bill which motion will ask for an increased exemption to every taxpayer on earned income from six to seven hundred dollars. The present tax exemptions are wholly unrealistic. The exemptions to the average taxpayer were lower during the war crisis because our economy needed to control inflation and absorb the abnormal purchasing power. Today the economic situation has swung in the other direction, and the only way to increase purchasing power is to place

more spending money in the pockets of millions throughout the country.

On Tuesday of this week, Senator WALTER GEORGE who, to my mind is the greatest expert on our financial economy in either House of Congress, spoke on the floor of the other body, advocating to increase the exemption from six to eight hundred dollars. He is 100 percent correct in his insistence that prosperity will be aided by increasing the exemption of millions rather than giving the tax benefits to a small percentage in the high brackets. The trickle-down policy of the Republican Party proved a failure in the 1920's and brought on the depression. It is again demonstrated that prosperity cannot continue under this economic theory. Our Republican friends say that large tax concessions at the top will allow industry to expand. I ask what value is that procedure when the people cannot buy what industry makes. As proof of that statement, let us examine the condition of the basic industry like steel. Steel is operating at some 65 to perhaps 70 percent of capacity. There is no lack of capacity for the steel mills to produce steel. The same is true almost in every other type industry. This condition is due to the lack of buying power or to the natural human reaction to a declining income which leads us on to save and to keep what we earn in such a period. In other words, if the daily income of a worker is going down, he ceases to purchase actively in the market. One important step toward relieving this condition is to increase the average taxpayer's exemption which will give him more buying power.

President Eisenhower, in a public statement over a month ago, said that the Government would take steps to relieve unemployment if it continued to sag. By raising the tax exemption from six to seven hundred dollars is a step in the right direction. Senator GEORGE's suggestion that it be raised to \$800 is more realistic under our present economic condition than the \$100 raise which will be offered in the recommittal motion. There is no doubt in my mind that if this tax bill passes the House, it will be thoroughly debated and amended over a period of weeks in the other body and it is my hope and conviction that a great number of practical and necessary changes will be made in it before it becomes a law.

Mr. PHILBIN. Mr. Chairman, so far as I am concerned I will approach a decision on this bill just as I have always approached the consideration and determination of every tax bill, that is, on the basis of what is fair, equitable, and just for the great rank and file of the American people, and what is best, all circumstances and needs considered, in order to preserve and support the great free-enterprise system predicated on the industry, initiative, and abilities of our individual citizens.

Regardless of what may be said here about politics and partisanship, I would never permit political factors to govern my position on this bill. Since I have been privileged to be in this great, distinguished deliberative body, I have voted on many tax and revenue measures.

During the war and since, I have been called upon to vote upon several bills which by their provisions exacted huge sums of money—billions and billions of dollars—from the pocketbooks and earnings of the American people. I have voted against many of these measures, not because of political and partisan considerations but because I honestly concluded that they were excessive, confiscatory, extortionate, or unconscionable demands and burdens upon the largest number of our citizens, and tended to impair or stifle the spark of incentive so vital to the efficient and profitable functioning of our business system and the promotion of the most desirable, yes imperative, aim of full-time employment and general prosperity for all.

This bill is in truth a monumental and astounding document. It seeks to revise the internal revenue laws of the United States. It covers about every conceivable tax problem. It embraces a voluminous detailed enumeration of statutory rules that is fairly staggering. If it omits any single subject pertinent to tax laws and procedures, it is not because of lack of subjects or treatment and it certainly is not readily apparent, although as in the case with all legislation doubtless time and study will disclose some matters that might have been included, as well as some things that should not be included.

It is not my purpose to expound upon the multitudinous provisions of the bill or discuss it at length. The bill is so long and complex that it defies cursory analysis in the same way that it enjoins detailed explanation.

Tax bills like other bills should be determined on principles, not upon sheer expediency. Call it the trickle-down theory, or whatever you will, any measure based on promoting the prosperity of the privileged group and the vested classes in order thus to permit better conditions and standards for wage earners, small businessmen, farmers, and workers, and the rank and file must be considered, I think, basically unsound, not only as it relates to the principles of social justice, but also as an effective revenue-producing mechanism. I must reject such a short-sighted, out-dated policy as well as its underlying philosophy.

To balance the budget is a most desirable aim which probably cannot be realized this year, if indeed it can be realized in the next fiscal year. I hope we can have a balanced budget at an early date and I am willing to work for it. But of course, I cannot support any tax program or budget-balancing program which is not based on fair, just, efficient, and equitable principles.

The American people have long staggered under oppressive burdens of taxation. First depression, then war, then cold war with its huge cost have exacted astronomical sums from all our people. The well-to-do classes were taxed almost to the point of confiscation. The small business groups were mulcted and sacked. And the ordinary men and women, the workers, farmers, people of ordinary means, yes even the poor, were reduced in their frugal standards of living by gigantic tax levies.

I think these people are entitled to relief. I regret that conditions in the world do not reasonably permit real substantial tax relief. But I think that we can in a sound way, in a way thoroughly consistent with fiscal soundness, if the budget is managed wisely, extend at least some little relief. Such relief will have solid, though not really substantial, benefits. It will, to a degree, restore waning purchasing power. It will raise standards of the lower-income groups to some extent. It will assure the people that the Congress is trying to relieve their burdens. And surely that is what every Member of the House wants to do.

Let us give the common people some consideration. They richly deserve some reduction of their onerous tax burdens. I appreciate that under the particular situation that obtains in the House today, this reduction can not be truly weighty. But at least let us do what we are able to do under the rules here today to lighten current tax burdens. This Nation must not spent itself into bankruptcy and weakness at a time when we need solvency and strength for all our people.

Mr. HIESTAND. Mr. Chairman, several of my colleagues from both sides of the aisle have asked that I explain just how it happens that a serious inflation can and probably would result if we amended this bill to raise the exemption for dependents.

First, let us agree, and I believe everyone in this House does agree, that inflation is permanent. Much as we might like to, we cannot turn the clock back. Once inflation is inflicted upon us, we are stuck with it, probably for the rest of our lives. It is unnecessary to cite to this group the disastrous, even tragic, effect of the inflations of the past and ghastly effect on those of fixed incomes, pensions, and so forth, especially, of course, those in the lower income brackets. The whittling away of 50 percent of the value of savings, whether it be in life-insurance policies or bonds, and all of the insidious but tragic effects of inflation, affecting 160 million men, women, and children. Inflation when once we have it is permanent.

One hundred dollars increased exemption for each dependent would relieve a taxpayer of \$20, \$40, \$60, or more in taxes this year. I repeat this year and this year only. We can change the law another year.

For each \$100 increased exemption, our country loses \$2,400,000,000 revenue.

Since the budget is not in balance and probably cannot be this year, this loss of revenue must be financed by bank borrowings. When as a government we finance our deficits directly from the banks, we in effect create \$2,400,000,000 of new money for every \$100 of increased exemption.

This \$2,400,000,000 of new money added to our present \$125 billion of money in circulation—currency plus demand deposits—is an increase of approximately 2 percent in the money supply.

This \$2,400,000,000 added money supply immediately starts chasing the supply of goods with the result, as most everyone here agrees, of perhaps gradu-

ally but certainly inevitably, other things being equal raising prices by 2 percent.

Well that does not sound like much, but assuming that the taxpayer, whose income is \$5,000 per year or less, spends it all in living—and we agree that practically all such taxpayers do spend it all—that increases his cost of living by 2 percent or \$100 per year. Bear in mind that that is \$100 per year for the rest of his natural life, in all probability.

In other words, you have got to explain to your constituency why you gave this taxpayer a credit of \$20 to \$60 this year and insidiously penalized him \$100 per year for the rest of his life to do so.

But that is not all. \$2,400,000,000 new money deposited in the banks of this country increases our lending power from \$10 billion to more than \$12 billion. If the people of this country encouraged by the example of their Government in further deficit spending and inflation, decided to use this credit, the inflation can spiral upward as high as an added \$12 billion on top of the \$2 billion new money, namely, somewhere between \$14 and \$15 billion. Now that percentage-wise is terrific and, ladies and gentlemen, these are cold hard facts. It all could happen if you increase this exemption by just \$100.

The voters of this country are much better informed than they used to be. They aren't easily fooled. They may be temporarily misled by slogans of "rich man's bill" or "increase the spending power of the lower income brackets," but when they find that for a mere \$20, \$40, \$60 tax relief for this year and this year only, you have foisted upon them and their children a possible increased cost of living from 2 percent to 10 percent for the rest of their lives, they may demand an accounting and those of you who believe you can explain to them, that their vote in reward for this \$20 to \$60 tax relief really costs them, thousands of dollars in the long run, may find you have a great deal of explaining to do.

My friends from both sides of the aisle, please do not sell our country down the river to another inflation like the tragedy of the past. When \$100 increased exemption can cause this vast tragedy is it worth it? Is it worth it for temporary glory from some who are presently uninformed on this matter of inflation?

Mr. BARRETT. Mr. Chairman, throughout the past year the public, the Members of Congress alike, have been led to believe that the House Ways and Means Committee has been deliberating on a tax reduction bill. Now we are informed by Republican leaders in Congress, including "Uncle" DAN REED, that the product of the many months of hearings by his committee is merely a tax revision bill, or a recodification of tax laws. We are told that the bill being considered today, H. R. 8300, is no place for tax reductions.

I am sure that many of our colleagues here today are equally alarmed and disappointed that the long wait for the opportunity to reduce taxes for the working man has turned into a choice between killing a measure that will be administratively helpful and provides a few

minor benefits for low-income people, or voting for a measure that provides further tax loopholes for corporations and wealthy stockholders. It is not an easy choice to make.

I have decided to vote for H. R. 8300 because of the risk that no better substitute bill would be presented to the 83d Congress and this would mean depriving the working man of some of the minor advantages he would derive from it, such as increased deductions for medical expenses, certain types of dependents, carrying charges on installment purchases, child-care expenses, and so forth. However, I am strenuously opposed to the sharp reduction provided by H. R. 8300 on taxes levied against income from dividends on securities. There can be no justification for this unearned bonanza for the wealthy stockholders at a time when individual income-tax exemptions remain at the lowest ebb in history. Since we are now on a so-called peace-time economy, individual income-tax exemptions should be gradually raised to where they were in pre-World War II years, which was \$2,000 per person.

It is fallacious to argue that production will be stimulated if big-business men make greater profits and wealthy stockholders have higher personal incomes. I believe that a more important factor is stimulating the purchasing power of American families in the low- and middle-income groups.

Therefore, I have today introduced a companion bill to S. 2983 introduced by Senator GEORGE, a recognized expert on finance and taxation. This bill provides for raising personal exemptions for each taxpayer and each dependent from the present \$600 level to \$800 this year and \$1,000 next year. If the administration is so gravely concerned about the losses in revenue which might result from the enactment of this measure, and is sincere in its promise of sponsoring just tax laws, it will follow through by passing legislation to plug the loopholes in H. R. 8300 through which it will continue to lose billions of dollars.

Mr. KELLEY of Pennsylvania. Mr. Chairman, the House of Representatives this week took up one of the most far-reaching pieces of legislation to come before Congress in a long time. It is a bill which completely rewrites the tax code of the United States—redrafting and codifying a jumble of laws, amendments, and amendments to amendments which over a period of 70 years or so has made our Federal tax statutes more and more confusing.

As the first real face-lifting job on our tax laws as a whole in those many years, this bill, of course, has much to recommend it. But in the process of rewriting the tax code the Republican majority on the House Ways and Means Committee has attempted to change the historic direction of our principles of Federal taxation in order to ease the tax burdens for Big Business and the very wealthy at the expense of the wage earner, the small-business man, and other average taxpayers. That is where the big fight arises in connection with this bill—a fight which will rage not only in the

House but in the Senate for many of the forthcoming weeks of this session of Congress.

For here is what the committee has recommended:

First. Corporations are to be given entirely new and very generous treatment on depreciation of new plants and equipment; that is, instead of taking a deduction on taxes each year equal to the pro rated cost of the new facilities, they could depreciate—or write off through tax deductions—at twice the present rate. This is a bonanza to many corporations.

Second. Owners of common stocks are to get a special tax credit—a reduction, not from income but from taxes—for a percentage of the dividends they receive each year. In other words, a man whose income is derived largely or entirely through dividends on common stocks would pay a much smaller income tax than the wage earner, businessman, doctor, lawyer, engineer, or anyone else making exactly the same income.

What kind of fairness is that?

Third. Wealthy individuals under this bill could actually increase their take-home pay—their income after taxes—by making charitable gifts of certain types. In other words, under the loophole provided in this bill, a man who presumably was making a 2-year gift to charity of certain income could actually reduce his total tax bill and thus have more money to spend or save than he would have had if he had not made the charitable contribution.

There are many other features written into this bill to benefit the wealthy, while little or nothing in the way of tax relief is accorded to the average taxpayer in this measure. About the only way the average taxpayer would benefit at all in this bill would be through some very modest deductions written in to apply only in case of a family catastrophe of one sort or another, such as big medical expenses, or the necessity of a widow or widower to hire someone to care for small children while the head of the family is working. And that is only a pittance.

The Democrats in the House are united in a fight to send the bill back to committee to increase individual exemptions under the Federal income tax law from \$600 to \$700 each. This would provide some tax relief for every taxpayer, not just for the few.

Under the rules of the House applying to tax bills, we cannot amend the bill on the House floor. We must either vote it up or down, or send it back to committee with definite but limited instructions for a few specific changes. That is all we can do once it comes out on the floor. The Democrats on the Ways and Means Committee fought valiantly to amend the bill in committee to eliminate these special interest provisions for the wealthy, but were outvoted on strict party lines in every attempt they made. Now we will see how many Republicans will join us on the House floor to recommit the bill to grant higher exemptions to everyone.

Mr. RHODES of Pennsylvania. Mr. Chairman, as I listened to our Republican friends discussing the tax bill, I came to the conclusion that they consider an

increase in tax exemptions for individual taxpayers a tax cut, while a reduction in taxes on stock dividends is tax revision. According to their philosophy it is demagogery to advocate and vote for increased tax exemptions but it is good statesmanship and good Americanism to vote for tax relief for those whose income is derived from investments in corporation stock. The so-called tax-revision bill proposed by the administration reflects the philosophy of the majority party which has always reflected the views of big business which, not only on taxes, but on every other question, considers it unsound to give any consideration to the wage earner and the average citizen.

Behind the present bill now before us, are the same people who over the past 20 years have opposed every social reform that would lift the level of living for the average American citizen. Yet it has been these great social-reform programs which have helped not only the wage earners, the farmers, and the small-business men but big business itself, as the record of the past generation will show.

It is difficult to understand their kind of thinking. It makes one wonder what happens to men who accumulate great wealth and power and then oppose all legislation which gives a measure of relief and justice to the most needy among us.

We see today on the question of taxes the same thinking and the same philosophy which is largely responsible for the hard-money policy and the increase in interest rates, growing unemployment, and business decline. It is the kind of thinking that is responsible for the increased need among our people while surpluses of food and other essentials pile mountain high.

This bill, regardless of what administration spokesmen say, is a tax cut bill which will give special consideration to a few. I know that many supporters of the bill sincerely believe it is best for the Nation. Yet I cannot help but feel that they are entirely wrong. Even the big financial interests which support this philosophy do not show intelligent self-interest. They do not seem to realize that the course they are now advocating on this and other legislation is similar to the one which brought the Nation to the depths of depression more than 20 years ago. They don't seem to realize that it was the liberal legislative program which made possible not only job opportunities for the people but prosperity for the farmer, the small-business man, and even for big business. They don't seem to realize that now, as the Nation's economy is declining rapidly, the proper solution is to create the purchasing power necessary so that the unemployed can find jobs and the needy consume the growing surpluses. Those of us who will support the exemption increase will do so because we believe, as the record shows, that the way to keep the Nation moving forward and to keep the country prosperous is to give opportunity and purchasing power to the wage earners, farmers, and the average citizens of our country.

I would like to quote from one of the leading experts on tax matters. He is Mr. Beardsley Ruml, who said:

With individual income taxes on a current basis, raising the exemptions is by far the most powerful single antidepression instrument in the Government's hand. Not only is this a strong economic measure; raising exemptions would provide a certain element of justice as well, since the exemptions have not been raised in recent years to correspond to price level increases.

I realize the heavy pressure behind this bill. I am not impressed, therefore, by the last minute change of heart expressed by some Members. Either we are for a tax proposal that is fair and just to the average citizen or we are not. For that reason I hope the proposal for the tax exemption increase will be approved by a favorable vote to recommit this bill.

Mr. JONES of Missouri. Mr. Chairman, having been one of that small minority of three Members who voted against H. R. 8224, to reduce excise taxes, after having voted with the minority on the motion to recommit that bill, I find myself in perhaps a different position than most of the Members, and my decision to vote to recommit this bill today is probably based on a different set of reasons than many other Members.

Basically, I have been opposed to any tax reduction until we begin to approach, at least, a balanced budget. But that was only one, and not the most compelling reason which caused me to vote against the bill to reduce excise taxes. That decision was reached because in my opinion the proposal was grossly unfair and most inequitable, in that if that bill is approved in the other body and signed by the President, relief will be given to many categories of luxuries and unessentials, while at the same time taking no cognizance of relief for many necessities, the tax on which will remain unaffected by this bill.

It is inconceivable to me how any administration can lend its endorsement to the passage of a bill so basically unfair as in my opinion the excise tax bill is, and at the same time refuse to lend its support to giving tax relief to the lowest bracket of income-tax payers, and refuse to increase the unrealistic figure of \$600 for individual exemption purposes.

Because this administration and this Congress apparently are determined to reduce taxes now, even though the reductions recommended by this administration do not go to those who are in greatest need of relief, and are apparently choosing to grant relief on a trickle-down basis, without giving that relief which will contribute to the general purchasing power, I find myself in the position of voting to recommit this bill in order to express a preference of where I think the tax cutting should start.

Mr. DAVIS of Tennessee. Mr. Chairman, on June 2 of last year at the request of one of my constituents, I introduced H. R. 5502 which provides in effect that expenditures made for an antiseptic diaper service shall be considered a medical expense under the internal-revenue law. This bill is intended to give some modest assistance to parents of newborn

infants during the year when they face their highest expenditures for the child, his hospital bills and fees to the doctors, as well as all of the other expenses which a new child brings to an American family.

Here in this country we give no bonuses or subsidies to the Americans who have sufficient faith in the future to bring new Americans into the world. Other countries, whose philosophies and ambitions require manpower for the battlefield, frequently give cash prizes to encourage large families.

Although we do not encourage population increase for the battlefield, the annual addition to our population is one of the greatest stimulating factors which exist for the American economic progress and we should not overlook the stimulus which these new children bring to our economy.

American babies are among the healthiest in the world. Nevertheless, each year more than 25 of each 1,000 livebirths die within the first year. Recent medical investigation discloses that a significant number of these deaths have their origin in the common skin irritation known generally as "diaper rash." It has been medically demonstrated that the use of antiseptic diaper service will prevent this common disease and thereby avoid the necessity for the suffering and medical expense and even deaths which may otherwise occur. In my opinion, and I am joined by many others in that opinion, payments for this preventive measure are entirely justified expenses to prevent or cure disease. However, under the existing regulations there may be some doubt as to the availability of the deduction in some cases or others. My bill is intended to clarify the situation and I earnestly urge the Ways and Means Committee to accept an amendment to this effect.

Mr. DOLLINGER. Mr. Chairman, the administration's tax-revision bill, now before us, comes as a grave disappointment to low-wage earners, the great majority of taxpayers. It is basely unfair; it discriminates against the hard-working people of our country; it aims to help a few who have and completely ignores the larger percentage of our population who have not. It is another example of giveaway legislation, of which we have had far too much during this administration.

It must be apparent to all that the philosophy of Alexander Hamilton governs Republican thinking today, that if relief is given those at the top, it will trickle down to those at the bottom of the economic ladder. The Democrats have always advocated help for those at the bottom, knowing that benefits would accrue to those at the top.

The major Republican giveaway proposal prefers the individual who invests and receives dividends as against the one who receives his income as a wage earner. This provision would benefit 8 percent of the population to the tune of over \$800 million.

In spite of the fact that the Committee on Ways and Means voted the bonanza for the privileged 8 percent of our population, yet they refused—the

Republican Members—to assist the wage earner by increasing his exemption from \$600 to \$700 per year.

It is admitted that this tax bill would reduce tax income at a time when much money is needed to balance the budget, and so the purpose of reducing taxes is to create more buying power, thereby creating a greater demand for consumer goods, which, in turn, would reduce unemployment and in the long run increase tax collections—even though the tax rate is lower—because more people would be employed and there would be more profits for business. However, this bill does just the opposite. It does not give the wage earner the additional spending money that he would definitely use, but instead, gives the money to those whose earnings come from investments, who would pay lower taxes but who would not utilize the money for greater buying power as would the wage earner.

To summarize what I have said, this tax bill would give no relief to 80 percent of American taxpayers who are in the bracket earning less than \$5,000 per year. As a matter of fact, even though income taxes were reduced on January 1 by act of the previous Congress, yet social-security taxes were increased, so that a family earning less than \$3,500 actually suffered a tax increase on January 1.

When analyzed, the provisions providing deduction for child-care expenses, the medical-expenses provision, and the split-income benefits to heads of households mainly help those in the upper-income brackets. The head of a household with 1 dependent who earns less than \$3,555 gets no help at all under this bill.

We have all seen innumerable scales of figures in various analyses of the tax bill provisions; under the Republican plan the savings are overwhelmingly in favor of high-income earners.

It is stated that the Republicans wish to reduce by a moderate amount or percentage the existing double taxation on dividend incomes. Their concern is only for 8 percent of the American population; they completely lose sight of the fact that 92 percent of our population are likewise doubly taxed. The wage earner is subjected to the payment of hidden taxes when he buys shoes for his children, necessities for his home, and not even when he purchases a loaf of bread can he avoid the payment of hidden taxes.

The President has said that to excuse 1 taxpayer in every 3 from all income taxes would be unfair. Those in the very low income brackets who would be exempt from income taxes, if personal exemptions were increased, can barely exist now, and they contribute their share, and would continue to pay their share in the hidden taxes they pay, even though they were not required to pay direct income taxes. We would, in assisting those in the low-income category, by giving them an increase in personal exemptions, help them to maintain their present low standard of living, and not make it sink lower.

Upon taking a clear, unbiased view of the tax picture, we must conclude that not only does the small wage earner

deserve help, but we will help our country on the road to economic recovery and security if we give him real tax relief at this time. The argument to increase the personal income-tax exemption is not based upon sympathy, but upon sound principle—one which will help all the people of the Nation, not a favored few.

I will, therefore, vote at the proper time to recommit this bill to the committee, with instructions to report forthwith an amendment to be offered that will increase personal exemptions by at least \$100, and to eliminate completely the tax credit on dividend income.

Mr. JENKINS. Mr. Chairman, under general leave given for all Members to extend their remarks in the RECORD at that point, I wish to read into the RECORD an article written by one of America's greatest writers. I refer to David Lawrence. The article which I read is as follows:

INCOME TAX REFORMS (By David Lawrence)

Fair play for the American taxpayer is in sight. For more than 40 years, since the Federal income-tax law was passed, the courts have at times narrowly construed the words of the tax statutes contrary to the intent of Congress. But never until this week has a bill finally been presented to Congress to correct these inequities and injustices.

The average citizen isn't familiar with the many benefits that are to come to him when the bill is passed and probably never will be till he comes squarely up against the contingencies that it is designed to meet.

The provisions of the general revision of the Internal Revenue Code cover 900 printed pages and comprise a multitude of points—everything from partnerships to estates and trusts, as well as the deductions or tax allowances permitted to corporations and individuals on a wide variety of subjects.

The Eisenhower administration and the Republican Party will deserve great credit if the measure goes through both Houses because, while Democratic administrations in the past have recognized the need for the revision, they have always allowed it to be dropped at the last moment in favor of legislation centering on tax rates.

None of this would probably be necessary if Congress could write clearly into law phrases that cover every possible contingency. Too often the Bureau of Internal Revenue, in writing "regulations" designed to carry out the meaning of the law, has made some farfetched interpretations which have been unfavorable to the taxpayer. The philosophy that the Government is always right and the taxpayer is always wrong has governed too much of the Bureau's thinking in the past.

Not many of the disputed points, relatively speaking, have been carried to the courts on appeal, but many that have been overruled have never been clarified so that a regulation would in itself be overturned. What the proposed law does is to take into account the court decisions and the existing code. By a set of new interpretations, the true meaning of the law now is stated.

There is included in the same general tax bill a number of new provisions, such as correction of the inequity in double taxation of dividends, and there are also some new rules on depreciation allowances on machinery and plants.

Some of these will face a legislative fight, and there is certain to be an effort by the Democrats to tack on an increase in personal exemptions from \$600 to \$700. This is opposed by the administration, because it is a phony move.

It can hardly produce any substantial benefit to the economy and, compared with the opportunity to stimulate capital investment in business, such exemptions can never be as effective on the job-creating side as the depreciation allowances, for example. The adoption of many sound and constructive items will go by the boards if demagogery prevails.

It is a curious thing that the Democratic Party, which has always had a conservative wing, should be lining up on the side which would propose an unsound amendment, such as the tax-exemption plan.

This would cost the Treasury \$2,500,000,000. If the national economy could be stimulated by such a provision, it would be unobjectionable, but the obvious purpose of the proponents of the exemption scheme is to kill the relief for double taxation of dividends. The private capital system cannot function effectively unless investment is stimulated by a fair return to the investor.

When risk capital is available, employment increases far beyond anything the tax-exemption plan can accomplish.

The Communist and Socialist philosophies are conceded to be antagonistic to the private capital system, but it is strange to note how often the Democrats in Congress take the anticapitalistic side of the argument and how many times the Republicans appear as the staunch defenders of the system of free enterprise.

Maybe the voters someday will learn to ask candidates for Congress where they stand on such basic issues.

Mr. STEED. Mr. Chairman, we now are halfway through the month of March, the fateful month which has been designated by President Eisenhower as the signpost to the future trend of the American economy.

The guideposts so far available for the test month of March are meager, but those which have appeared point apparently to a continuation of the downturn in business activity which began about the middle of last year, the first year of the first Republican regime in 20 years. Unemployment is on the rise, farm income is shrinking, department-store sales are lagging behind the fast pace of 1953, steel production has slowed considerably, and big inventories in the hands of sellers are hampering sales and production all up and down the line. The last report of the Federal Reserve Board showed that industrial production was down 10 percent from the peak of last year—a decline equal in magnitude to the industrial slump that occurred in the recession of 1949.

This undeniable slowdown, of course, means that the economy of the Nation is in some trouble. It is evident in the big industrial plants of the Nation, on the farms of this country and in the stores in the small towns of America.

But, Mr. Chairman, despite the fact that the economic indicators depict graphically the recession in which this country now finds itself, Republican orators for the past several months have berated shrilly and rashly anyone who has the temerity to call attention to this developing downturn in business. Ill-considered name calling has been the order of the day for Republican spokesmen who would have the people hide their heads in the sand in the vain hope that slackening business conditions will go away if we just will not discuss the situation. That has never been the case in this country and will not be the case

this time. We have never talked ourselves into a recession, and, of course, we cannot talk ourselves out of one.

In 1929 we had an administration which tried futilely to talk away a depression. Neither could it talk us out of a depression—that took drastic action, beginning in 1933.

Mr. Chairman, the Democrats are fervently opposed to a recession, a depression, or whatever you want to call worsening economic conditions. But we believe that when the economy shows signs of bogging down there should be full discussion and debate. We further believe, and advocate, that when that time comes there should be preventive action by the national administration.

The present administration would have us believe that the Nation is now in a period of adjustment to normalcy, that the country should be shaken down to a more leisurely business pace, and that this so-called rolling readjustment actually is just what the doctor ordered for peacetime prosperity. In other words, the administration of today says that the prosperous and well-nigh universal high levels of business activity in recent years of Democratic administrations is too high. Thus, according to this Republican logic, there is nothing to worry about when the economy recedes from the previous high levels.

Such an economic philosophy would be ludicrous if it had come from any source other than administration officials charged with the well-being of the Nation.

The current economic distress is apparent to anyone who faces the economic facts of life. Would the administration have us ignore like ostriches the reports from our home districts that retail sales are falling off, that farm income is dropping, and that unemployment is becoming an increasingly serious problem? Would the administration have us accept blandly and without challenge the sugar-coated pronouncements that all is well in this best of all possible Republican administrations? That seems to be the attitude of the Republican officials who wildly hurl harsh cries of prophets of gloom at any who would discuss this most important problem.

But, Mr. Chairman, the facts have a habit of making themselves seen and heard.

On the farms, in many sections of the country, economic hard times have already hit, and hit hard. The income of the farmers has dipped severely over the past year. For instance, profits in cattle raising have virtually vanished in many cases. Beef prices remain weak and even now are faced with a developing threat, in the Midwest and the Southwest, of drought and dust storms. If these conditions persist, cattlemen will be forced to market with their herds, thus driving the price of beef down still further. In addition, the lack of rain, plus the dust storms, pose a serious threat to the grain crops.

And what sort of a farm program does the administration advocate while the farmers of this country are being buffeted by adverse weather and declining prices? The administration would have this country abandon the fixed parity-

price program, which supports farm products at 90 percent of parity, and go to a sliding scale, which would, in effect, slide the support level to down below 80 percent.

The administration would do well to consider the fact that historically most depressions in this country move from west to east and start on the farms. The current plight of the farmers already is having its effect on the large industrial areas of the Nation, too.

Employment is suffering in factory towns. The latest Government report shows that the number of jobless workers increased by 600,000 during February and now stands at 3,700,000, the highest it has been since the 1949 recession. It is difficult to tell what is happening right now in the month that the President says is the key to the economic trend of the Nation. However, many economists foresee another increase in unemployment during March—something on the order of 200,000—when unemployment normally is beginning to decline. This certainly will mean that the administration will need to give careful study to a positive program in order that a brake could be put on the economic downswing.

Of course, the administration contends that it is doing something to give the economy a shot in the arm. That something boils down to an attempt to lighten the taxload on big business and individuals in the higher income brackets. The Democrats, of course, favor active assistance to business, as witness the unparalleled profits and expansion of private enterprise over the last 20 years. But tax cuts should be spread equitably through all stratas of our population. Not only big business, but small business and individuals should be given reductions in taxes at the same time. By taking care of only the people and businesses at the top of the economic ladder the administration would be adopting the timeworn trickle-down theory that was tried so diligently in the Hoover administration and failed so dismally.

During the last session of the Republican Congress the taxload was lightened on big business with the repeal of the excess-profits tax, which touched few, if any, small businesses of this Nation. There was no corresponding lightening of taxes for small-business men at the time, and there is not any today in the current administration proposals. The smaller-business men should be given the same relief accorded big business.

In addition, the tax burden on individuals should be lightened. This would put spending money in the hands of those consumers who would be most likely to take it into the market place and give business a lift. Classically, this has been the approach of the Democratic Party, and it has worked in the past and would work in the future. When consumers are helped they purchase goods. This in turn puts people to work on the farms and factories. You might even call this the trickle-up theory, but it has always been immeasurably more effective than the opposite approach—the archaic trickle-down procedure.

The most effective way that Congress can quickly arrest the business downturn is by increasing the individual's exemption rate on Federal taxes from \$600 to \$800. This would, immediately and dramatically, put \$5 billion in the hands of consumers who, in turn, would place it in the spending stream. This proposal is no self-seeking campaign by Democrats for the voters' favor in November. It is the only solid and sure method which would bring quick results.

Many stories have appeared in the press, Mr. Speaker, about the administration's plan to combat recession—when and if there is ever a Republican admission that the economy is ailing. Statements are attributed to administration spokesmen that the interest rates may be lowered and that there are public works programs, already blueprinted which need only to be dusted off and put into operation. A lowering of interest rates may come too late to benefit builders and other borrowers who are contemplating expansion programs. And as for the public works programs, they are helpful but are slow moving. Any public works projects, big enough to seriously dent a full-blown recession, would be several years in the offing.

And so, Mr. Chairman, the immediate prospect of providing a lift to the economy narrows down to a tax cut for individuals, particularly those in the lower income brackets who would be most likely to spend it in the market place. No other course offers the same promise.

I trust that the Congress will be far-sighted enough to take this beneficial and courageous action.

Mr. FINE. Mr. Chairman, here at last is the long-awaited Republican tax-revision bill. In the last few weeks the sponsors of this legislation have been unleashing a heavy barrage of propaganda about the supposed merits of the bill. According to Republican spokesmen, this bill will remove tax inequities and close loopholes, while making tax burdens fairer for millions and restoring normal incentives for sustained production and economic growth. We have been told in glowing terms of what a blessing this bill will be to widows and children and the average taxpayer.

If all the extravagant claims that have been made for this tax bill were true, it would indeed be a magnificent piece of legislation, and should pass this House without a single vote against it. Unfortunately, however, the bill falls far short of measuring up to the glittering promises that have been made for it.

There are 875 pages in this tax bill. The average taxpayer might study every one of those 875 pages looking for the tax relief it is supposed to hold for him, and about the most significant reward he would receive for his efforts is a severe case of eyestrain. There just is not any general tax relief for the little man in this bill.

The pending bill would grant some relief—though not enough—to certain classes of working mothers. There are changes liberalizing dependency provisions and medical deductions, which may benefit a limited number of individuals who need such relief. But there is noth-

ing whatever in the bill giving any substantial help to the average wage earner.

Republican recommendations for tax relief to a few small classes of taxpayers in the lower-income brackets are small, indeed. They look even smaller when compared to the tremendous benefits this bill would give to corporations and their shareholders.

The majority report on H. R. 8300 admits that corporations would receive tax benefits of \$619 million in fiscal 1955 alone under the proposed law. There are provisions for life-insurance exemptions and increased charitable deductions which would benefit only the well-to-do.

But the most flagrant help-the-rich clause in this bill is the so-called dividend-tax-credit provision. If this provision becomes law, individuals owning corporation stock will eventually pay no tax whatever on the first \$100 of dividends received, and can deduct from their tax bill an amount equivalent to 10 percent of the rest of their dividends. This would cost the Government more than \$800 million.

And whom would it benefit? The 92 percent of American families who own no stock would not benefit by 1 solitary cent of that \$800 million. Most of the tax savings would go to the six-tenths of 1 percent of American families who own 80 percent of all publicly held stock. Putting it another way, more than half of this \$800 million bonanza would go to the few individuals with incomes of more than \$25,000 a year.

It is claimed that H. R. 8300, by giving tax advantages to corporations and investors, will encourage initiative and investment, stimulate production, and create more and bigger jobs. In other words, what is good for business is good for the country. That is a pretty clear expression of the basic Republican approach to economic problems. Republican administrations seem to think they should concentrate on giving every possible advantage to those few at the top of our economic structure, so that some benefits can then trickle down to the rest of the people.

It is a nice theory—especially if you are one of the few who gets the gravy. The only trouble is that the benefits never seem to get down to the people who really need them. Government run for the benefit of the minority did not work in 1929, and it will not work any better now.

Whether you call it temporary unemployment, a transition period, or use that nasty word "recession," there is no denying that there are a few storm clouds on the economic horizon. But they are not due to lack of incentive for investment. Business profits in 1953 were the highest in history and industrial stocks on Wall Street last week hit the highest point since 1929.

Our troubles are not due to a shortage of production facilities, either. Steel mills operated at 68 percent of capacity last week. Farm equipment factories have been idle for months. The automobile industry is practically forcing new cars on reluctant dealers.

It will not help the steel or automobile industries if you make it easier

for them to get money to build new plants. The one thing they need that will provide all the incentive necessary for expansion and increased production is a large and steady supply of customers with money in their pockets. And the surest way to encourage such a supply of customers is to grant tax relief to the consumer, rather than the investor.

The Democrats on the House Ways and Means Committee proposed just exactly that during committee action on H. R. 8300. They moved to raise personal income-tax exemptions from \$600 to \$700. If that motion had been adopted, it would have given tax relief to every single one of our 50 million taxpayers—and the man on the bottom of the scale would have gotten the same break as the fellow on top. Every Democrat on the committee voted for the increased exemptions—but the Republicans lined up solidly to defeat them.

Many Republicans have stated that we just cannot afford the loss in revenue that would result from an increase in personal exemptions. It seems strange that the same voices that are crying out against granting relief to the little man were strangely silent when the excess-profits tax expired on January 1 with a \$2 billion loss in revenue. And almost none of them have been heard to complain about the tremendous loss in revenue through the provisions which benefit the rich.

Let me remind those who are talking about deficit financing that it was not the Democrats who decided to engage in it. President Truman has been violently attacked by Republicans on that score, but if memory serves me correctly, it was his practice to ask for sufficient revenue to cover his appropriation recommendations. This great Republican economy administration sent to the Hill a budget that was unbalanced by almost \$3 billion, while agreeing at the same time to tax relief for the rich. If the administration wants to bolster up the economy by spending more than it takes in, that is their decision to make, but the Democrats want to see that the tax breaks go to the people who need them, rather than just those in the higher brackets.

Mr. Chairman, as this bill stands it contains a few minor provisions that grant needed relief to a relatively small number of taxpayers, but does nothing for the majority of persons who need help. At the same time it gives tremendous benefits to a few corporations and individuals. I shall vote for recommendation for the purpose of incorporating in this bill an increase in personal exemptions and for striking out the dividend-tax-credit provision.

Mr. DONOHUE. Mr. Chairman, as my colleagues here well know, I have, for the past 7 years, repeatedly urged the vital necessity of complete revision and recodification of our entire Internal Revenue Code. In 3 successive Congresses, I have introduced bills whose purpose was to accomplish that objective. We all fully realize that our present Internal Revenue laws are jumbled, complicated, often contradictory, little understood by the average person, and filled with obsolete regulations, imposing multitudinous inequities, irritations,

and too often great hardships upon the American taxpayers.

The tax measure before us today is the first attempt in nearly half a century to revise and simplify the Internal Revenue Code. The distinguished chairman of the House Ways and Means Committee and his colleagues of that committee are certainly to be complimented for the long hours and arduous work applied to the writing of this bill. It serves to forcefully remind us that the time is long overdue for a complete and thorough revision of our tax system in the public interest. I earnestly wish this present bill was a more generally equitable one.

However, the question that must be conscientiously directed at this proposed new tax law should be, to paraphrase the President's own words—is it a good and just bill for all Americans? To answer that question, we are impelled, of course, to examine very closely the substantive economic philosophy behind the language of the bill and then the most prominent features of the bill.

It is clearly apparent and undeniable that the primary intent and purpose of this measure is to project a stabilizing force into our daily weakening economy by granting substantial tax relief to business corporations and upper income groups. The philosophy behind these proposals is obviously the old and outmoded one that can be summarily stated in the questionably popular phrase, "What's good for business is bound to be good for the country." In other words, the prominent preparers of these new tax proposals evidently believe that if we add even more to the top structure of our economic society, then that element will somehow take care of the rest of the people. In no partisan spirit, may I remind you it was this similar conviction that largely led to the greatest and saddest economic setback this country ever experienced, back in the 1920's. Let us try, in all good spirit and conscientious purpose, to insure that such widespread economic unhappiness will not occur again, especially from following the same economic philosophy that proved so disastrous in the past.

When we scrutinize this bill carefully, it becomes forcefully apparent that in its entirety, and in its particular provisions to extend special tax relief on dividend income and through changes in depreciation calculation, it would, should it become law, give investors and business 12 times as much relief as individuals.

The average individual would get \$6 in tax relief, \$250 million divided by 39 million tax returns showing taxable income, while the average dividend recipient would ultimately get \$200, 1.2 billion divided by 6 million stockholders, or 33 times as much. The discrimination is still understated, since the less than 4 percent of the taxpayers receiving dividends, those with income over \$10,000, get more than three-fourths of all taxable dividends. If we consider families rather than tax returns, we find that less than 1 percent of the American families own 80 percent of all publicly held stocks. An examination of those authoritative figures and percentages

certainly indicates that the major tax relief offered in this measure is being granted to those who need it least and is a contradiction of our traditional principle that taxes should be apportioned on the fair basis of ability to pay.

While the inequitable disproportion of tax relief presented in this measure would be open to conscientious questioning at any time, it is the more striking now because of the definite and increasing unemployment situation throughout the country which the President himself has publicly recognized. No reasonable person doubts that we are in a recession, and no true American desires the economic decline to go any further. The United States Census Bureau has estimated there are more than 3 million unemployed people in this country today and, unfortunately, that figure is slowly but steadily advancing. I believe that all of us are aware of the grave problem inherent in this increasing unemployment, and I know we are all patriotically united in our determination to take all possible steps to prevent the present recession from growing into a dangerous depression.

I realize we are in common agreement that tax burdens should be equitably apportioned among our people in such a way as to preserve our standards of living, while at the same time providing incentives and capital funds for national economic expansion. The only real disagreement among any of us is the determination of the best means by which those patriotic objectives can be gained. In arriving at my own determination of the best means, I first of all very strongly believe that the present and admitted recession should not and must not be permitted to develop into any prolonged recession.

I have heard little evidence here today to support the contention that the decline has been caused by the high level of personal or business tax rate or by lack of funds or incentives for investment programs. On the contrary, both profits—after taxes—and investments have been at record levels—2½ to 3 times prewar. Corporate earnings have provided incentives, and individual and corporate savings have provided ample funds. There is nothing in sight today to discourage the rate of investment, except the dark prospect of a failing consumer market for the products and services of business. It therefore seems but simple logic to conclude that the best and most immediately effective way to strengthen business incentive and our declining economic trend is to place additional spendable income in the hands of American consumers. The same sound logic, not to mention the moral responsibility of legislating in justice to all, moves us to the conviction that any additional income, granted from tax reduction, should be at least proportionately distributed to families in the lower half of the income scale. Statistical evidence of long standing demonstrates that these families are required to spend practically all of what they have and get, while the same statistics show that most of the saving is confined to the upper brackets of the income scale.

In my opinion, these facts are strong arguments on firm economic grounds, demonstrating the necessity as well as the justice in granting increases of personal exemption for the low-income taxpayer when we are proposing to grant substantial relief to prosperous business and high-income groups. The lessons of history show that it is far easier to stop a mild decline than to halt a galloping depression. The country as a whole, business, consumers, and the Treasury Department all have much more to lose by a further reduction in national income than by the loss of revenue through raising such exemptions, for action of that kind would promptly add billions to the slowing stream of general purchasing power.

Mr. Chairman, primarily for the reason that we are obliged to extend fair and just treatment to all segments of American taxpayers, as well as for the sound authoritative economic reasons I have outlined, I very deeply believe that before any continuing action is taken on this bill, it should be recommitted for the purpose of permitting the committee members to include proportionate tax relief to those who need it most by raising personal exemptions. Reluctant as I am to disagree with the President's program, I nevertheless very deeply feel he has accepted questionable advice from his economic counselors. While the bill contains many desirable changes in our outmoded tax system, there is obviously grave doubt existing in the minds of a great many Members here of its substantial merit that warrants recommitment and reexamination.

Mr. GROSS. Mr. Chairman, I want to go on record here and now and make my position perfectly clear. If I vote this afternoon in support of President Eisenhower and the administration against further tax reductions as applied to personal incomes, from that moment on I intend to hold the administration strictly to account in the matter of economy in the huge spending measures that are yet to come, particularly for the Military Establishment and so-called foreign aid.

I am convinced that the President, on his own initiative and without recourse to Congress, can compel military and civilian heads of the Military Establishment to adopt measures that will save hundreds of millions of dollars. And I am further convinced that the time has come to put an end to foreign aid, which was supposed to have ended in 1952, by appropriating only enough money to liquidate commitments already made.

If extravagant spending is to be continued, particularly billions of dollars each year on unresponsive foreign governments, then the time has certainly come to stop penalizing American taxpayers and permit them to enjoy at least temporarily the fruits of their labors.

As far as I am concerned, Mr. Eisenhower and his administrative officials must now stand and deliver in their recommendations for economy in the spending bills that are to come.

It will be with the utmost reluctance if I vote in opposition to the recommitment motion, for I believe an increased exemption to be the fairest method of individ-

ual income tax reduction. However, I feel firmly that the Federal budget must be balanced, and I believe the administration should have one more opportunity to demonstrate its desire to do so.

Mr. GOODWIN. Mr. Chairman, in most earnestly urging that H. R. 8300 be passed I want to express the great satisfaction I have, as a member of the Committee on Ways and Means, in having had the privilege of collaborating in the writing of this epoch-making piece of legislation which our distinguished chairman, Hon. DANIEL B. REED, has described as "certainly the most monumental piece of legislation ever to come before Congress."

This tax-revision bill represents the very first over-all revision of our Federal tax structure to be undertaken in something over three-fourths of a century. It is difficult for anyone who has not been in a position to follow the work closely to comprehend the magnitude of the task.

Over 600 witnesses were heard before our committee in many all-day sessions extending well beyond the House adjournment last summer. These witnesses included tax experts from all over the country. More than 1,000 statements were placed in the record. The printed text of the hearings runs to nearly 3,000 pages. The time spent by staff experts in connection with the preparation of the bill has been estimated as well over 300,000 man hours. Over 15,000 communications from taxpayers from every part of the country have been studied and some of their suggestions have been adopted by the committee.

Out of all this has come H. R. 8300, a bill to revise the internal revenue laws of the United States, written in cooperation between our committee and the Treasury and submitted to the House as an integral part of the fiscal program of President Eisenhower. I predict that it will pass the House and that the resulting Internal Revenue Code of 1954 will stand for a long time as an enduring monument to the 83d Congress.

The benefits to the taxpayers from this legislation will be more and more appreciated as time goes on. These many benefits have been quite fully described during the course of this debate. A brief outline of these would include the following:

Medical expenses will be deductible in excess of 3 percent instead of 5 percent. Retired individuals, including teachers, will be allowed an exemption of \$1,200 of retirement income. Parents may claim deduction of \$600 for each child regardless of the child's yearly earnings. A single working parent may have a deduction of \$600 for expenses paid for the care of each child under 10 years, and up to 16 if physically handicapped.

The head of a household will have the same privilege of split income now allowed married couples even though a dependent may not live in the home of the taxpayer. Deductions for charitable contributions may be allowed up to 30 percent instead of 20 percent as now.

The benefits above enumerated are those affecting individuals. There are also benefits in the bill for corporations,

all of which are intended to promote the expansion of business thereby making jobs and increasing payrolls, and thus again bestowing individual benefits. The bill contains \$1.4 billion in tax relief, of which \$778 million goes to individuals. It is a fair bill for business and individuals alike. It is designed to provide for an expanding economy. It is an essential part of the program of President Eisenhower. It deserves the loyal support of every Member who believes that the administration program ought to be put into effect for the making of a better America.

Mr. POFF. Mr. Speaker, in view of the President's recent radio announcement indicating that he will veto the entire tax revision bill if it should contain a personal exemption increase this year, the motion to recommit the bill was nothing in the world but a motion to kill the bill and deny any tax relief whatever to the belabored American taxpayer, and I think it is important that the people understand this.

The iniquitous thing about the motion is that it wears a fetching false face—a mask of a personal exemption increase. Those who made and supported the motion think that the taxpayer will see only the mask and not the face. They do not, Mr. Speaker, credit the American taxpayer with enough intelligence.

The people today are informed about fiscal matters and affairs of state, and it takes only a minimum of intelligence to recognize this motion, the face behind the mask, as a piece of parliamentary chicanery and political opportunism, unworthy of the traditions of the political party fathered by that great Virginian, Thomas Jefferson.

For, I repeat, the real purpose of this motion was to prevent this tax relief bill from becoming law in this election year. It was politically preconceived, with malice aforethought, to embarrass the President of the United States by people who have been pretending to lend bipartisan support to his program.

The President's enemies know full well that, as much as he wants to grant the American people the relief contained in this bill, he would be compelled to veto the whole bill if it contains a provision for an increase in the individual exemption this year. As reported by the committee, the bill grants nearly \$1.4 billion in tax relief. The motion to increase the exemption would cost the Treasury an additional \$2.3 billion. Since the budget is already out of balance, this would mean that the national debt would be increased by that amount, the statutory debt limit would be violated, and the value of all Government bonds and securities would be jeopardized. This might well create an economic panic leading to a depression, and it is the little man who suffers in a depression.

Still, the proponents of this motion to recommit, who, being in the minority, have no responsibility to keep our economy sound and who would stand to profit politically from a panic, pretend that they are trying to help the little man. They are marching up and down the length and breadth of this land telling the people that the tax-relief measures

granted by this Congress help business and not the individual. A look at the record and an analysis of the laws passed this year will prove that they are in grievous error.

In the tax-revision bill just considered, tax relief for business totals \$581 million. By reason of the expiration on January 1 of this year of the war-imposed excess-profits tax, business was relieved of \$1.7 billion in taxes. This makes a total tax relief for business of \$2.3 billion. But it must be borne in mind that the bill on the floor today extends the present 52-percent tax rate on corporations which was scheduled under the old law to drop to 47 percent this year, and this provision alone will cost corporations an additional \$1.2 billion in taxes next year.

In the tax-revision bill just considered, individuals will receive \$778 million in tax relief exclusive of any increase in the individual exemption. Under the 10-percent cut in individual taxes on January 1 of this year, individuals received about \$3 billion of the benefits. Under the excise-tax-reduction bill passed by the House last week, individuals received \$912 million in relief. This makes a total tax relief for individual taxpayers of \$4.7 billion.

All together, this Congress will have granted, exclusive of individual exemption increases, a total tax relief of \$7 billion of which business will get 32.9 percent, and individuals will get 67.1 percent. Moreover, tax relief to business—most of which is small business—means help for the individuals who own the business, individuals who work for the business and individuals who buy the products or the services of the business.

There is another interesting angle to this problem. The best possible way to cut taxes is to cut governmental spending. It is significant to note that most of these people who are pretending to be so eager to help the taxpayer are the same people who consistently make and vote for amendments to increase every appropriation bill which comes on the floor. Possibly it is good politics to vote to increase spending and cut revenue when the budget is already in the red, but it is most certainly faulty statesmanship.

The tragic and unfair thing about this parliamentary trick is that it makes it appear that every person who voted for the motion to recommit the bill to committee favors the principle of increasing the individual exemption and that every one who voted against the motion opposes the principle. This simply is not true. During the 20-year administration of the people who voted for this motion today, the individual exemptions for a married couple were reduced from \$2,500 to \$1,000 and were raised to the present \$1,200—plus an additional exemption for the blind and those over 65—only when their administration lost control of Congress in 1948. It will be remembered that the Republican 80th Congress passed this personal-exemption increase over the determined opposition of the very people who, in 1948, called it a rich man's bill and who now call

it a poor man's bill. In fact, President Truman vetoed the increase in 1948 and it was passed over his veto.

On the other hand, many of those who voted against the motion today definitely favor the principle of an increase in the personal exemption. As for myself, I introduced a bill in 1953 during the last session of Congress just a few days after I got to Washington, at a time when I could not possibly have foreseen the \$4.7 billion tax relief granted to individuals this year.

My bill would increase the exemption from \$600 to \$750. Moreover, it would apply not only to the taxpayer but to all his dependents as well. Thus, a man and wife with 2 children would have \$3,000 of their income completely exempt from taxation. This should demonstrate how I feel about the principle involved, and if the Senate should vote and a conference committee of both Houses should report a recommendation to increase the exemption, I certainly would support it. If such should happen, however, I am persuaded that the President, by reason of the increased deficit and the violation of the debt line, would be compelled to veto the whole bill.

In summary, Mr. Speaker, the vote on this motion to recommit the bill to committee was not a vote for or against the principle of increasing the personal income-tax exemptions; it was a vote to save or a vote to kill the major tax revision bill which plugs 50 rich-man loopholes, corrects hundreds of irregularities against the little man, and saves the American taxpayers \$1,359,000,000 a year.

Mr. REED of New York. Mr. Chairman, the gentleman from Arkansas stated that because section 312 (a) (1) of the bill does not specifically define the term "dividend" as including the distribution of securities, the bill would permit the distribution of a tax-free dividend in securities, and has characterized this as a glaring loophole which got by the committee.

The gentleman from Arkansas is a very able lawyer who has made a real contribution to the work of the committee in drafting the bill, and if he had raised his point in the committee, I am sure that the language of section 312 (a) (1) could have been revised to meet his point. However, I am sorry that the demands on his time caused him to overlook the committee report on section 312 (a) (1) which on page A98 clearly states in part that "a dividend means a distribution of securities or property by a corporation to its shareholders" thus making it clear that a dividend distribution of securities will be taxable under the new code to the same extent as a dividend distribution of any other property. In other words the so-called loophole referred to by the gentleman from Arkansas simply does not exist and, far from getting by the committee, was specifically provided against in its report.

Mr. MULTER. Mr. Chairman, there has been some difference of opinion expressed about this bill as to whether it is a tax-revision bill or a tax-reduction bill.

Obviously it is both, and no one should attempt to create the impression that there are no tax cuts in this bill.

I believe that everyone agrees that insofar as it is a general revision of the Internal Revenue Code, it is a good bill, and the distinguished members of the Ways and Means Committee, and particularly its fine chairman, the gentleman from New York [Mr. REED], are to be highly complimented for the splendid work they have done in that connection. Similarly, I am sure that no one will try to take credit from the committee for having written into this bill larger deductions for medical expenses, and costs of child care and for pensioners. Criticism in that respect will be leveled only against those who will attempt to contend that those provisions go as far as they should, or accomplish all of the fine purposes that may be attributed to them. For instance, the deduction for medical expenses is an allowance only of the excess over 3 percent of the income. A family of 4 with a gross income of \$5,000 will be permitted to deduct for medical expenses only such sum which exceeds \$150. I believe it would be much fairer to the family earning \$5,000 a year or less to allow them a medical deduction of \$150 a year. The same section contains a provision permitting a deduction of any excess over 1 percent of gross salary spent for traveling for health. I doubt whether any families with a gross income of \$5,000 a year or less can spend even the \$50 for traveling for health, no less spend a sum in excess thereof.

The special deduction for the costs of child care for widows and widowers is entirely insufficient because it is limited to \$600 per year. While we must concede that that \$600 a year is better than no deduction at all, it is completely unrealistic because it is utterly impossible to employ anyone for as little as \$12 a week to take care of a child or children while a parent is employed.

The tax exemption granted to those who are retired for \$1,200 of pension income is also unrealistic because it is limited to those who are 65 years of age or older. A married couple of 65 years of age presently have tax exemption of \$2,400, and very few of those people have any income above that \$2,400 to apply against an additional \$1,200 exemption. The exemption should have been granted without any age limitation.

Then the bill contains an exemption of \$100 a week for moneys received from sickness and accident benefit insurance. I do not know of a single family with a gross income of \$5,000 a year or less who can afford to own such a policy that pays that kind of benefit.

On the other hand, there are provisions in this bill which will cut the taxes of the large corporations and of the big income earners by billions of dollars. We have been told that the reason for those tax cuts was to expand industry and thereby create new jobs.

Anyone who will give the slightest thought to the subject will know that these tax reductions will not have that effect to any great extent. We heard the same argument when we were told that that would be the effect of the removal of the excess-profits tax. If what hap-

pened after removing those taxes is to be any standard of comparison the tax cuts in this bill for the benefit of big business will have an even worse effect. Despite the newspaper claims about expansion programs by some big corporations, the overall picture throughout the country shows that there will be much less expansion of industry this year than there was last year. The reduction of the taxes effective for this year has not brought about any expansion of industry, nor the creation of any new jobs.

I will agree with those who say that a tax on dividends is an unfair tax. But I vigorously disagree with those who contend that by eliminating those taxes industry will be expanded. One need not be a tax expert to know that every corporation out of its profits first sets aside the moneys it needs for its expansion programs. It pays as dividends to its stockholders only what is left after it has planned its expansion programs.

Our income-tax philosophy has been all through the years that taxes be levied and collected on a graduated scale so that those who earn most will pay most. If that theory is to be pursued then the only fair way to reduce taxes is by increasing the exemptions. As we increase the exemptions those in the lowest scales pay the lowest taxes and while getting the same exemption those in the highest scales get a reduction in the highest bracket. The Secretary of the Treasury with the approval of the President has told the Congress that we cannot afford to reduce our taxes by the total of the taxes that would be lost by increasing the personal tax exemptions by another \$100 and by granting tax exemption on corporate dividends.

If that is so then the choice to be made is an easy one. It is not a political choice, it is a sound economic choice. It is not the choice made by the administration. It should be—grant an increased personal exemption as against the exemption for the recipients of corporate dividends.

Most of the small-income earners of our country have savings accounts either in mutual savings banks, in building and loan associations, or in farmer cooperatives. They do not own stocks. The dividends and income receivable from those savings accounts and shares in building and loan associations and farmer cooperatives are specifically excluded in this bill from the dividend exemption.

Let us consider for a moment what that means. Only 8 percent of our American families own any stock in corporations such as we are discussing. Ninety-two percent of our American families own no such stock. Six-tenths of 1 percent of our American families own 80 percent of all such stock.

Now let us break that down further. Slightly more than 80 percent of all taxpayers having incomes under \$5,000 per year get less than 11 percent of such corporate dividends. Less than 4 percent of our taxpayers with incomes over \$10,000 get 76 percent of such corporate dividends. Eight-tenths of 1 percent of our taxpayers with incomes over \$25,000 get 55 percent of such corporate dividends.

Let us see what this means in dollars and cents.

A taxpayer earning \$50,000 gross income, of which \$40,000 is dividends, under this bill will save \$10,470. As against that, a family of 4 with earnings of \$3,500 will save \$120, if the Congress will give that family a \$700 per person exemption instead of the \$600 now provided for. The latter is the Democratic proposal.

I now would like to turn your attention for a moment to the speech made by President Eisenhower to the people of the country on March 15, 1954, on this subject. In that connection I have in mind those reminders coming from the Republican side of the aisle of our promises that we would support President Eisenhower's program. But do not overlook that we Democrats promised to support President Eisenhower's program only when it was in the best interests of the country. This tax bill is not in the best interests of the country. The President himself failed to make out a case for this tax program of his.

In speaking to the people, President Eisenhower said:

We want to improve and expand our social-security program.

Neither this bill nor the Democratic program to increase personal tax exemptions has anything to do with the social-security program. It is a self-sustaining program, paid for out of social-security deductions separate and apart from any taxes.

The President then said:

We want a broader and stronger system of unemployment insurance.

Neither this bill nor the Democratic tax program to increase personal exemptions has anything to do with unemployment insurance. That, too, is a self-sustaining program, paid for by unemployment-insurance deductions made by the employer separate and apart from tax payments. That has nothing to do with this bill.

The President also said:

We want more and better homes for our people.

There is nothing in this tax program nor in the Democratic program to increase personal tax exemptions that has anything to do with homes—good, bad, or indifferent. I might add the President did send to the Congress a separate message on housing, as a result of which his Housing Administrator presented a bill to the Congress. The House Banking and Currency Committee, of which I am a member, has just completed 2 weeks of public hearings on that bill and that program. Most people who have studied the bill and the program agree that little or no additional housing will come therefrom. But, I repeat, that program has nothing to do with this tax bill or the amendment thereof sought by the Democrats.

The President next said:

We want to do away with slums in our cities.

Nothing in this tax bill will do away with such slums, nor will increased personal exemptions stop slum clearance. If anything, it may help because if we give the average taxpayer a little

more money he may be able to get a better home for himself. The President then said:

We want to foster a much improved health program.

There is nothing in this tax bill that has anything to do with a health program. Increased personal tax exemptions may make some more money available to the families of our country who today cannot afford the services of a doctor or a dentist.

The President then said:

We want a better and a lasting farm program, with better reclamation and conservation.

This tax bill has nothing to do with those programs. The President had better address himself to his Secretary of Agriculture, who ever since his appointment has been recommending cuts in those programs.

The President then said:

We want an improved Taft-Hartley Act to protect workers and employers.

Who ever heard of a tax program dealing with the Taft-Hartley Act? This tax bill does not deal with it or with any phase of it.

The President then said:

We want wider markets overseas for our products.

But there is not a word in this bill about such markets or any intimation of how we may attain them as a result of this bill or how the attainment thereof may be interfered with in any degree by increased personal tax exemptions.

Lastly, the President said:

We want, above all, maximum protection of freedom and a strong and growing economy—an economy free from both inflation and depression.

Of course we do.

I have searched through this entire bill of 875 pages and through the committee's report on the bill, of 468 pages, which includes the minority views as well as the majority views. I can find none of those things which the President says we want, and which we do want, referred to or even remotely touched upon in this tax bill.

I regret to say that, in my opinion, this talk by the President was a partisan political speech which attempted to appeal to the emotions of the American people, throwing aside logic and reason, and, at the same time, trying to stamp the Democratic effort to improve the bill as a purely political move.

If the Democrats sought to play politics with this issue it would have been very simple for them to make their speeches and then sit back and let the bill be enacted, and go to the people in November with the issue that this bill cut the taxes for the wealthy and did nothing for practically 90 percent of our people. The Democrats will fight hard for a better tax bill because the interests of the country demand it. We want to see such a bill enacted, even though we lose a good campaign issue.

In conclusion, let me refer to the President's closing remarks in his speech to the people on March 15. He said:

Viewing with gloom is only to be expected in the spring of an election year.

Let me say again as my colleagues have said many times on and off the floor of this House, we Democrats are not viewing with gloom, and we are not viewing with alarm. We are pointing to facts that cannot be disputed.

We are trying to alert a lethargic administration into action. We are begging that the stable door be locked before the horse is stolen. I have already pointed out that expansion throughout our economy has been cut back for 1954. That is true in every industry except mining. Unemployment continues to climb. Not only are there many people out of work, but many people who are working are putting in less hours and earning less pay. Production has already been cut back to what it was in 1949. Exports are down and farmers are earning less. Savings are up and consumers are buying less.

The Federal Reserve Bank of Chicago in its current report indicates that the current business decline is more than an inventory adjustment. I agree with the President; we do not need a depression. But closing our eyes to the facts of life will not prevent one.

We can be sure of a Democratic victory in November if we have a depression, but every right-minded Democrat is an American first.

As an American, each of us wants to avoid a depression, even if we lose an election.

Mr. MCGREGOR. Mr. Chairman, it is to be regretted that H. R. 8300, a bill to revise the internal-revenue laws, seemingly has become a political issue. I note this morning in the Washington Post and Times-Herald, a democratic liberal paper, an editorial, and I quote:

It is unfortunate that the prospect is for almost a straight party vote when the tax-revision bill comes up in the House today. Apparently it will be in a partisan framework, rather than on economic merit, that the Democratic amendment to raise income-tax exemptions and kill dividend relief will be considered. This is a sorry basis on which to decide an issue that has a grave bearing on the President's program to stabilize the national economy.

I think many people have the wrong impression relative to what the increase for dependency allotment really means. If the amendment offered by the opposition is accepted, increasing from \$600 to \$700 dependency exemption, it would only mean approximately 30 to 40 cents per week for each worker. I feel certain the people I represent would much rather have a reduction in taxes on theaters or amusement admissions, telephones, transportation, leather goods, including women's purses, and other excise taxes, than they would to have the meager 30 cents a week reduction on income taxes. If we accept the amendment four or five million people are not going to have to pay any income tax at all.

Mr. Chairman, it has been admitted that the move of the opposition to raise exemptions is political and I am sure the

people I represent do not want politics to enter into a tax program. I am of the firm belief they are intelligent enough to analyze the situation and realize it is better to leave the exemptions as they are now with all of us paying our proportionate share of the taxes.

I repeat, let us all assume our just and rightful share of the tax burden and the responsibility of our citizenship in maintaining our freedoms.

Mr. REED of New York. Mr. Chairman, Mr. MILLS of Arkansas, yesterday requested an explanation of part of section 214 of the bill. I ask unanimous consent to insert such explanation at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from New York [Mr. REED]?

There was no objection.

(The statement referred to is as follows:)

CHILD-CARE EXPENSES

Section 214 of H. R. 8300 provides that a taxpayer who is a mother whose husband is incapable of self-support because mentally or physically defective will be allowed a deduction for child-care expenses to the extent provided in this section.

A precedent for the phrase "incapable of self-support because mentally or physically defective" is found in the credit for additional exemptions for dependents contained in the internal revenue laws from the act of 1918 until the provision was revised in the Individual Income Tax Act of 1944. Prior to the 1944 act a taxpayer was permitted to claim a dependency exemption credit for any person who was dependent on him for support and who was either under the age of 18 or physically or mentally incapable of self-support. In the 1944 act the requirements that a dependent be under 18 or mentally or physically unable to support himself were deleted and there was substituted the concept that a dependent was anyone for whom the taxpayer furnished over half the support provided that the person was related to the taxpayer within the statutory degrees of relationship (and provided that the person was not himself required to file a return).

The determination under the income tax laws from 1918 to 1944 of whether a dependent claimed by the taxpayer was incapable of self-support because mentally or physically defective was a factual question to be determined in the same manner as other factual questions in the event of dispute. Thus, it was held by the Board of Tax Appeals (now the Tax Court) that a taxpayer was entitled to an additional exemption for a dependent he supported on the taxpayer's sworn and uncontradicted testimony that he supported a mentally defective daughter who was, during the years in question and always would be, unable to support herself. See R. E. L. Johnson (25 BTA 359). Similarly it was held by the Bureau of Internal Revenue (now the Internal Revenue Service) that a taxpayer was entitled to a credit for a daughter whom he supported who was incapable of self-support because of an attack of inflammatory rheumatism (I. T. 3222, 1938-2 CB 149). In this ruling the taxpayer was held entitled to a proportionate part of the dependency credit based upon the period during the taxable year in which his daughter was incapacitated.

Questions similar to the determination of whether a dependent was incapable of self-support because mentally or physically defective are found in analogous provisions of existing law. For example, in determining whether a taxpayer was entitled to a deduction for medical expenses under section 23

(x) of the Internal Revenue Code, the Bureau of Internal Revenue ruled that traveling expenses incurred on behalf of a minor child in order to obtain medical care for the alleviation of a physical defect or illness were deductible as medical expenses (I. T. 3786, 1946-1 CB, p. 75). On the other hand, where the dependent of the taxpayer who was suffering from rheumatic heart disease moved more or less permanently to a more favorable climate, the Tax Court found that the dependent had recovered from the period of actual illness and denied any deduction for lodging and subsistence of the dependent which were claimed as medical expenses. (Frances Hoffman (17 T. C.) 1380.) Thus, under section 23 (x) of existing law a factual determination may be necessary as to whether certain expenses constitute expenses incurred as medical care for the alleviation of physical defect or illness.

Mr. REED of New York. Mr. Chairman, I yield 10 minutes to the gentleman from Illinois [Mr. MASON].

Mr. MASON. Mr. Chairman, you have had an avalanche of words pointing out all the leaves and the twigs and the branches in this tax forest that we have under consideration until I am quite sure that most of the Members are more confused than ever.

I want to summarize, or give you an overall picture of the Republican tax program. After I get through that maybe I will give you a little philosophy on tax matters, which some of you need pretty badly, in my estimation.

First, let us take this overall picture. You all know that in January we had a \$5 billion tax reduction, half, approximately, or a little less, on the excess-profits tax, and the other half on the 10-percent reduction on individual income taxes. That is \$5 billion. That was provided for by our Democratic friends, no getting out of that. It was made possible by Republican economies, and there is no getting out of that. So we can both claim credit for that, although I say that it should have taken effect last July 1, not January 1, and headed off and prevented this slight recession, or whatever you want to call it, that we have had for the last couple of months, and out of which, according to the U. S. News and a lot of other indications, we are now coming. But let that be as it may, that is \$5 billion, and you cannot call that five billion a rich man's tax reduction.

Then last Wednesday we passed a quickie excise-tax bill with a little over \$900 million reduction, practically all of it going to individuals. We will call that in rough numbers a billion-dollar reduction, mostly to individuals. That puts on the right side of the ledger for individual tax relief the bulk of the tax program this House has acted upon so far.

As to this present tax forest that we have before us, our experts say that about \$750 million of that relief is for individuals, and \$650 million is for corporations. That makes \$1.4 billion of relief altogether. But in this tax bill we extend the corporation rate of 52 percent for another full year, which means the corporations have to pay \$1.2 billion. So when you add it all up, the corporations are \$600 million worse off as a result of this bill and individuals will be \$700 million better off.

That does not appear to me to be much of a rich man's bill in the over-

all picture, nor does the overall Republican tax picture represent a rich man's tax relief. Get that.

This overall revision bill is a revision bill pure and simple, badly needed, not a reduction bill. Of course there are reductions in it, because we tried to remove as many inequities as we could remove without losing too much money. That was the general purpose of the bill, to clarify, codify, and simplify a tax picture that nobody understood and make it a little bit more clear, and remove some of the inequities that have crept into it over 75 years.

OUR FEDERAL TAXES

Mr. Chairman, our present tax rates are confiscatory; they have passed the point of diminishing returns; they are drying up the streams of investment capital; they are discouraging business expansion and preventing new enterprises from being started. When big manufacturers are compelled to hand over to Uncle Sam the major part of every dollar of profit they make—as they are required to do today—there is no incentive to expand, to create new jobs, to produce more goods for a hungry consuming public.

Jobs and taxes are Siamese twins; they are tied together. They are closely related; they cannot be separated. In normal times high tax rates mean a contracting national economy, fewer jobs, and increasing unemployment. Low tax rates in normal times mean an expanding national economy, more jobs, and little, if any, unemployment.

When overall taxes take one-third of the national income, as they do today, the tax load upon the average taxpayer is too heavy. It means the average taxpayer works 4 months each year for Government, and 8 months each year for himself and family. When the tax load in upper brackets takes up to 92 cents out of every dollar the taxpayer earns, as it does today, it makes that taxpayer work 11 months each year for the Government and 1 month for himself and family; it kills the goose that lays the golden eggs—the golden eggs in this instance being more jobs and additional payrolls for the workingmen of America.

To illustrate:

In 1945 Congress passed a tax reduction bill. It gave \$7 billion in tax relief, most of which went to corporations as a result of the repeal of the excess-profits tax. President Truman signed that tax reduction bill in the face of a 21 billion dollar deficit in the budget for that year. What was the result?

Repealing the excess-profits tax meant that corporations and business generally could retain the \$4 billion that had been collected under this tax and plow it back into the business. They did just that. It was a stimulating shot in the arm for business, and resulted in—

First. A tremendous business expansion—almost a boom.

Second. Five million three hundred thousand new jobs were created, which boosted employment levels to an all-time high, reaching the 60-million job goal F. D. R. had set for 1950—a goal reached 2 years ahead of the time set.

Third. An increase of 15 points in the production of goods, as shown in the National Production Index. This increased

production should have reduced prices, but we shipped to Europe that year \$14 billion worth of goods—much of it scarce goods: Steel, farm machinery, tractors, food—instead of the normal shipments of about \$4 billion worth.

Fourth. An actual increase in Treasury receipts over the former all-time high in 1945, ending the fiscal year June 30, 1948, with a surplus in the Federal Treasury of \$8.4 billion—\$3 billion of which was earmarked for the Marshall plan and the balance applied on the national debt.

Mr. Chairman, this little lecture on taxation may not have been recognized as such, but it is a complete answer to the "trickle down" criticism of our Democratic friends.

OUR FEDERAL DEBT

Treasury reports tell us Uncle Sam is in the red to the tune of \$273 billion—but that is not the whole story. In addition to the \$273 billion debt, Uncle Sam has other outstanding obligations amounting to over \$40 billion—obligations incurred by the Commodity Credit Corporation, the Reconstruction Finance Corporation, the Export-Import Bank, the International Bank, the International Fund, and several other Government lending agencies. That means that Uncle Sam—you and I—owe something over \$300 billion. How much is \$300 billion? I do not know; you do not know. The finite mind cannot grasp such an astronomical sum. There never was such a national debt as that before. It is more than the total debt that all the other countries of the world owe, put together. It is more than twice as much as all the countries of Europe owe, put together. Yet in the face of this, practically all the nations of the world stand before Uncle Sam today saying in effect: "Please, Uncle Sam, your credit is still good; won't you borrow more money, won't you go deeper into debt, won't you levy heavier taxes upon your people and help us out of the mess we are in?" And Uncle Sam has been doing that; he is still doing that, and his board of directors—the Congress—proposes to continue to do just that. During the war we handed out \$60 billion in lend-lease; postwar handouts have amounted to \$45 billion; and now a Western Europe rearmament program, the Marshall plan, and President Truman's point 4 program—all of which will mean billions more over the next several years.

Where is bankrupt Uncle Sam going to get these billions to hand out to other nations? He can get them only by borrowing and going deeper into debt. Such a program can end only in national bankruptcy, financial chaos, repudiation, and then dictatorship. And that is exactly what will happen to us unless our board of directors makes a right-about-face—unless our leaders "stop, look, and listen."

Mr. REED of New York. Mr. Chairman, I yield 10 minutes to the gentleman from Pennsylvania [Mr. SIMPSON].

Mr. SIMPSON of Pennsylvania. Mr. Chairman, I must admit when I listened to one of my colleagues a few minutes ago loudly, earnestly, and emphatically tell us what was wrong with this effort on the part of the Republican Party to

reduce taxes, I realized for almost the first time that he is a member of the group on the Committee on Ways and Means, and a member of the party in Congress today who are experts in increasing taxes. And it is natural that the Democratic Party would be really expert in raising taxes for in the years from 1932 until almost the present day, they have had tax increase bills one after the other. I repeat, they have had a great deal of experience in increasing taxes, but all too little in reducing taxes. Indeed, back in the famous 80th Congress the Members of Congress were told by the Republicans that the way to balance the budget was to cut taxes—why back there in 1948, and you recall, you Members to my right side, that under the leadership of our chairman we said then that the way to increase Federal revenues, the way to balance the budget, if you please, was to reduce the tax burden upon the American people, to give them an incentive to get out and work, to invest their capital in money-producing facilities, in business, if you please, and in effect to take their money out of the securities that did not provide jobs even though they did provide some little bit of interest.

And so today again under the leadership of the Republican Party, the Congress and the American people have a bill before them which will become law—and I pause, Mr. Chairman, to suggest to you that this bill will become a law with the active support and the vote of a substantial majority of those who are standing before us today and criticizing this bill. It will become law because it is a good bill, it will be a good law; it is designed to aid the American people, to provide and secure jobs for the American who wants to work in times of peace, who wants his country to prove to the world that the American system of free enterprise will provide jobs, who wants to disprove that all-too-frequently-heard remark that the only way we have been able to solve unemployment in the past 20 years was to get into war.

I would never accuse a political party or the leaders of any such party of wanting to get us into war; of course, they did not, and not one lady or gentleman before me would ever make any suggestion that that was the policy of any party of our Government to deliberately lead us into war.

But I do say that one of the things that solved unemployment in the past was the very fact that we did get into war. None of us wants to get into war again; we all want to prove that our system of government will work in peacetime, that it will provide work for everybody in time of peace. I am sure the majority will agree with me that the one way to provide jobs and to provide for prosperity in times of peace is to reduce taxes. So I anticipate that this bill will pass as it is now by a large vote, and the American people will benefit greatly thereby.

Oh, it has been said that there is something wrong with the bill and that we make a mistake in not increasing the personal exemptions from \$600 to \$700. I can demagog as well as somebody else, because out where I live there are people who are paying big taxes, who are

in the 60-percent bracket, if you please, and everyone of them for every \$100 additional increase in exemption would get \$60 reduction in tax. On the other hand, across the street is some little fellow who barely comes under the gavel of the tax collector. He will get \$20 if you increase the exemption by \$100. So you are doing this for the big fellow, for the rich fellow. It is as easy as that. Giving an increase in exemptions will not solve the problem which confronts the country in this day of peace, a day which must be continued. You all realize that these people about whom we are talking who would allegedly benefit if we increase the exemption are your neighbors and mine; they are the young men and women with whom we went to school, with whom we played, with whom we graduated from high school and possibly college. They are smart, just as smart as we are. They are the ones whom you seek to attract to your side by way of a promise you will give them \$20 a year, and thereby solve what unemployment there is and solve the problem of peacetime employment. That is for \$20 a year. In fact, it is 40 cents a week.

These people back home who are watching what we do today are not interested in that 40 cents a week. It is peanuts to them. Oh, I know you will point out that it will buy two loaves of bread, perhaps, or you will say it will buy a pack of cigarettes or a little bit more; therefore you will say I am keeping that individual from having those loaves of bread or that pack of cigarettes. But that is not the point. Those people back home do not want that. They want jobs; they want regular jobs. They know if the money which is saved by this bill goes into the right hands it will be invested and provide jobs for more workingmen. It has been pointed out here that for every man or woman who has a job in the Nation today somebody has invested \$15,000 and if that money is not invested by some person who buys stocks or bonds there will not be jobs for any of us. In that circumstance the Government itself will step out, as we did in the thirties, and greatly increase the tax, inefficiently spend the money to create jobs, jobs which were not justified. That is what I fear, if you do not recognize the fact that the American people can spend their money better than we can spend it for them. By doing what we are going to do today as a start, we can best insure and assure to the American citizen permanent employment and peace.

Mr. LYLE. Mr. Chairman, will the gentleman yield?

Mr. SIMPSON of Pennsylvania. I yield to the gentleman from Texas.

Mr. LYLE. The gentleman has been kind enough to help me try to understand some of the provisions of the bill. It provides, I believe in section 613, for a 15-percent depletion allowance for chemical-grade limestone, metallurgical-grade limestone, rock asphalt, and certain other minerals. Subsequently in another paragraph it provides a 15-percent depletion allowance for certain other minerals, which are not specified, but it is stated that they shall have only a 5-percent depletion allowance if used

in certain specified ways. The report says, however, that the rates designated for the minerals specifically provided for in this subsection shall apply regardless of the use to which such minerals are put. That has always been the intent of the Congress as to metallurgical- and chemical-grade limestone?

Mr. SIMPSON of Pennsylvania. According to my understanding, that is exactly right, that those specified metallurgical or chemical limestones shall have the depletion allowable of 15 percent regardless of how used.

Mr. LYLE. And that has always been and is the intent of the Congress?

Mr. SIMPSON of Pennsylvania. That has been my understanding and I have not heard it contradicted in the Ways and Means Committee or in the Congress itself.

Mr. LYLE. I thank the gentleman.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, I call upon the Members of this body to give this legislation their full support. In doing so you will, in my opinion, best make it possible for your fellow citizens to continue employment.

Mr. COOPER. Mr. Chairman, I yield 5 minutes to the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Chairman, we have listened to Member after Member on the Republican side take the floor today, and I presume some of them did yesterday while I was home celebrating St. Patrick's Day, and say that this is a tax-revision bill.

Well, I have before me the RECORD of March 17, on page 3448 of which the distinguished gentleman from Indiana [Mr. HALLECK], majority leader of the House had this to say:

Mr. Chairman, today and tomorrow the House debates another major step toward providing the American people with the largest tax-cutting program in the Nation's history.

I never thought that tax cutting was the same as tax revision. I think the gentleman from Indiana [Mr. HALLECK], the majority leader, by that statement concedes what we Democrats have consistently stated, that this is a tax reduction bill.

My friend, the gentleman from Pennsylvania [Mr. SIMPSON] during his remarks said that this is a good bill, a good law, yet it gives to those with unearned income from dividend sources a decided advantage over the American who goes out and earns his income with his hands or with his or her brains. That is indefensible. To me it is not only legally wrong, but it is morally wrong to give to the person with the unearned income from dividend sources in some cases a 300 percent tax advantage over other Americans making the same income but making their income as a result of earning it either by working with their hands or working with their brains. My friend from Pennsylvania also said that the people at home want a job, a regular job. I thoroughly agree with him, and we Democrats are making the fight that we are to try to give them a regular job. There are close to 4 million people unemployed today. That does not include those out of employment for a period of 30 days, where the factory or

the plant closes down for a week or 10 days up to 30 days. That does not take into consideration the reduced income by reason of wiping out overtime pay and the reduced hours per week that exist now throughout the country among those who are still employed. So we Democrats are trying by our motion to recommit to restore to the people or to give to the people purchasing power to stop further recession, to bring back prosperity, and to give to those unemployed the jobs they seek.

Mr. Chairman, I have heard the argument advanced about politics being attached to the Democratic Party in the motion to recommit. What about the politics of last week by the Republican leadership when they cut excise taxes \$912 million more than President Eisenhower wanted? I have also heard the argument advanced about a further deficit of one billion three or four hundred million if the Democratic motion to recommit is carried. Why, my dear friend, the gentleman from New York [Mr. REED], whom I have great affection for, and he knows it, reported out the bill that passed this House last week that cut excise taxes \$912 million below what President Eisenhower recommended. And I did not hear the President argue very much against that, except one of those two-way streets, two-way talks about a little slap on the wrist, that you have got to take the good with the bad or something of that kind.

The Boston Post, which is a mighty good newspaper, despite its error in 1952 in supporting President Eisenhower, only the other day in an editorial, in part, said:

Tax reductions to restore purchasing power of the masses of the people and to give added incentives to investors are necessary.

That is from a paper that supported President Eisenhower. The Post also in the same editorial said:

The need is for tax relief at the very base of the tax structure and the Democrats have drawn together to provide that relief.

There is a clear, sharply cut issue here; whether or not the Members of the House are going to vote for the trickling-down policy, whether or not there are enough independent Republicans who will vote against that policy. It is a question of the trickling-down policy on the one side and the policy of the Democratic Party of helping the people generally, on the other side; of starting at the base rather than starting at the upper levels. That is a clear-cut issue which cannot be denied. When we vote in a comparatively short time, that is going to be the issue. From my experiences with the trickling-down policies of the Republican Party, in past years, I should say that very little has trickled down to the people.

I know that pressure has been brought upon my Republican colleagues. I am not going to comment harshly upon that. But if there were a Democratic President and the same kind of pressure were being exerted upon the Democrats, the Republicans would be "hollering" to the high skies.

While there are provisions of the pending tax bill that I favor and support, if

the motion to recommit is defeated, because of the inequitableness of the bill from an overall angle, I cannot in conscience vote for its passage.

I hope that the sound policy of the Democratic Party in the people's interests will be supported by a majority of the Members of the House today.

[From the Boston (Mass.) Post]

TAXES AND RECESSION

At Worcester on October 22, 1952, President Eisenhower expressed his conviction that taxes were too high and reflected not only necessary Federal expenditures but also the added cost of waste, inefficiency, duplication, and corruption.

He was campaigning for office at that time. The balanced budget became the objective toward which the Treasury and the Bureau of the Budget would be directed to bend all their fiscal energies, while President Eisenhower went after waste, inefficiency, duplication, and corruption.

Indeed, the balanced budget achieved an almost idolatrous place in the doctrinaire fiscal policies of the administration, come what may. When the economic facts of life refused to conform to that policy, the initiative passed to the Democrats, who now press for tax relief for the great masses of the people.

The time for such tax relief as the proposal of Senator GEORGE would give is now—before the symptoms of economic distress become more severe. The lesson should have been learned during the great depression of the 1930's, which demonstrated that efforts to balance the budget when production is declining only aggravate the economic weakness.

Tax reductions to restore the purchasing power of the mass of people and to give added incentives to investors are necessary. These should be substantial relief measures.

The tight money policy imposed by the administration over a year ago has been eased for reasons quite opposite to a threatened recession. The money policies were eased to control inflation, although it has had a beneficial effect on the faltering economy. The depreciation allowances proposed by the administration are not enough, and affords no immediate relief to the great mass of taxpayers.

The clank of cash registers in the Treasury and the Bureau of the Budget is very deceptive music. It is the tempo of cash registers ringing up sales in hundreds of thousands of retail outlets all over the Nation which should be heeded.

It is rather late for a reappraisal of that unquestioned leadership which the White House spokesman attributed to the President. It is late for the administration to revise its estimates of the Nation's economic needs.

The need is for tax relief at the very base of the tax structure, and Democrats have drawn together to provide that relief. There will be sneering references to pump priming and vote snaring in the debate on this issue, but there is also the lingering memory of the "me-tooism" of the Republican Party through the years.

Mr. REED of New York. Mr. Chairman, I yield 2 minutes to the gentleman from Iowa [Mr. MARTIN].

Mr. MARTIN of Iowa. Mr. Chairman, I spoke yesterday on the general provisions of this bill but did not have time to take up the matter of double taxation of dividends.

Mr. Chairman, the committee bill, which has been endorsed by President Eisenhower, has been described by those on the other side of the aisle as a bill to provide tax relief for the rich at the expense of the average taxpayer. I

would not have supported this bill if I believed that it would operate in that manner.

For almost 20 years our tax laws have been devised to punish success rather than to raise revenue. The time has come when it must be quite obvious to the average taxpayer that the expenses of this Government cannot be met by taxing a few. Our tax laws must now be designed to raise the maximum revenue in the fairest possible manner. We can no longer afford the luxury of foregoing billions in revenue to attempt to make some of our people believe that the so-called rich are going to pay all the taxes.

Double taxation of dividends on corporation stock causes many people to invest their funds in tax-exempt bonds rather than invest them as risk capital. It has also caused corporations to turn to bonded indebtedness rather than common stock to keep their business going even though heavily bonded indebtedness makes any business organization especially vulnerable to adversity when their continued operation is most important.

I have made a special study of the proposal in H. R. 8300 to reduce the double taxation to some extent. My sole purpose is to point out the operation of this provision in the bill in making it easier for business and industry to secure risk capital that will help them to keep going whenever adversity may strike.

It has been alleged that this bill favors a limited group of taxpayers in that it provides partial relief from the double taxation of dividends. Mr. Chairman, the so-called rich do not need this bill. They have been able to invest in tax-exempt bonds whose average yield, early in March, was about 2½ percent. Those who are fortunate enough to have great wealth, which in many cases has been inherited, are not concerned with what we do on the floor of the House in the consideration of this bill. They were not concerned when we raised taxes to pay the costs of World War II or for the fighting in Korea. They have invested their money in tax-exempt bonds, they have no worries about income taxes on March 15, and the rest of us must assume their share of the burden of government.

The committee's purpose in incorporating a provision in this bill, which would ultimately give a credit against personal income taxes of 10 percent of the amount of dividends received, has been to induce those who are now paying no taxes to share the cost of Government with the rest of us. Furthermore, it is essential if we are to preserve a competitive free enterprise economy, that new businesses can be started and that venture capital may be available to those individuals who can provide the new ideas and methods which will keep our economy dynamic.

For many years new offerings of common stocks have been few and far between. Capital has been raised through bank loans and the sale of bonds. It is our purpose to correct this imbalance and encourage equity financing.

Mr. Chairman, before a corporation can pay \$1 in dividends it must first earn

\$2.08 so that it can pay the Federal Government \$1.08, under the present corporate tax rate of 52 percent. The Federal Government is now the senior partner in every corporate enterprise—yet private individuals seeking gain must first be induced to invest their capital in equity securities before the Government can hope to receive its share. If this bill will induce individuals to invest more of their funds in common stocks, the Government will receive the major share of such investment. The Treasury has everything to gain and very little to lose by fostering equity investments. Every dollar which a corporation pays in interest for borrowed money, rather than as a profit to its equity owners, produces no corporate income-tax revenue.

For an individual to receive \$10,000 in dividends, the corporation must first earn \$20,833. Of this amount, the corporation income tax accounts for \$10,833. A single individual with a \$10,000 taxable income derived entirely from dividends and making no provision for deductions or exemptions, now pays a personal income tax of \$2,640. The Federal Government, in other words, will collect \$13,473 in taxes from the investment which made the payment of these dividends possible. The individual retains \$7,360 of the \$20,833, which the corporation earned.

It is the committee's opinion that a retention of \$7,360 to the individual is not sufficiently attractive to induce him to assume the risks of earning \$20,833 in a new venture. If many people have come to this conclusion, the Government has lost billions of dollars in potential tax collections and it is my belief that this is the case. In fact, the reason that there are so few common stockholders is because of these facts, yet, if free enterprise is to be our way of life a far greater number of our citizens should have a stake in American industry. Mr. Chairman, this

is not a matter of tax evasion. No one has to buy common stocks.

This bill will ultimately reduce the Government's potential income on such an investment from \$13,473 to \$12,473, a decline of \$1,000. But if this income is to come from new investments, it is only a potential loss. We are actually enhancing the Government's income if we collect the \$12,473, rather than taking nothing.

Now, let me examine the situation for a single individual receiving his entire income of \$100,000 from dividends, with no provision for any deductions or exemptions. In order that the investor may receive \$100,000 in dividends, the corporation must first earn \$208,333. The corporate income tax will account for \$108,333. Assuming that the remainder of the earnings are paid as a dividend, this will give the investor \$100,000. Under existing law he will pay \$67,320 as a personal income tax. The Government's share from the fruits of this investment would be \$175,653, leaving the individual with \$32,680. The committee's bill would reduce the Government's potential tax yield by \$10,000 so that the Government would receive \$165,653, and the individual would retain \$42,680.

Mr. Chairman, I have obtained unanimous consent to insert at this point a table which I have prepared which I believe is of general interest. It shows the corporate earnings before taxes required to pay dividends of varying amounts, the personal tax in each tax bracket under the present law, and the total tax take and the investor's retention from an investment in each bracket. It also shows the total tax take derived from the combination of corporate and personal taxes and the amount retained by the investor under H. R. 8300 after July 31, 1955, when the full relief provided by the bill will be effective.

TABLE NO. 1.—Comparison of Government and individual returns from an equity investment under present law and under H. R. 8300

Taxable income derived entirely from common stock dividends. No allowance for deductions or personal exemptions ¹	Under present law					Under H. R. 8300		
	Corporate earnings before taxes necessary to pay dividend with no retained earnings	Corporate income tax ²	Personal income tax	Total Federal tax	Amount of earnings retained by individual	10 percent dividend credit ³	Total Federal tax	Amount of earnings retained by individual
\$2,000.....	\$4,167	\$2,167	\$400	\$2,567	\$1,600	\$200	\$2,367	\$1,800
\$4,000.....	8,333	4,333	840	5,173	3,160	400	4,773	3,560
\$6,000.....	12,500	6,500	1,360	7,860	4,610	600	7,260	5,240
\$8,000.....	16,667	8,667	1,960	10,627	6,040	800	9,827	6,840
\$10,000.....	20,833	10,833	2,640	13,473	7,360	1,000	12,473	8,360
\$12,000.....	25,000	12,900	3,400	16,400	8,600	1,200	15,200	9,800
\$14,000.....	29,167	15,167	4,260	19,427	9,740	1,400	18,027	11,140
\$16,000.....	33,333	17,333	5,200	22,533	10,800	1,600	20,933	12,400
\$18,000.....	37,500	19,500	6,200	25,700	11,800	1,800	23,900	13,600
\$20,000.....	41,667	21,667	7,260	28,927	12,740	2,000	26,927	14,740
\$22,000.....	45,833	23,833	8,380	32,213	13,620	2,200	30,013	15,820
\$24,000.....	50,000	26,000	9,560	35,560	14,440	2,400	33,160	16,840
\$26,000.....	54,167	28,167	10,740	38,907	15,260	2,600	36,307	17,860
\$28,000.....	58,333	30,333	11,960	42,293	16,020	2,800	39,493	18,820
\$30,000.....	62,500	32,500	13,200	45,700	16,780	3,000	42,700	19,780
\$32,000.....	66,667	34,667	14,460	49,127	17,540	3,200	45,927	20,740
\$34,000.....	70,833	36,833	15,740	52,573	18,300	3,400	49,173	21,700
\$36,000.....	75,000	39,000	17,040	56,040	19,060	3,600	52,440	22,660
\$38,000.....	79,167	41,167	18,360	59,527	19,820	3,800	55,727	23,620
\$40,000.....	83,333	43,333	19,680	63,013	20,580	4,000	59,013	24,580
\$42,000.....	87,500	45,500	21,000	66,500	21,340	4,200	62,300	25,540
\$44,000.....	91,667	47,667	22,320	70,000	22,100	4,400	65,600	26,500
\$46,000.....	95,833	49,833	23,640	73,480	22,860	4,600	68,880	27,460
\$48,000.....	100,000	52,000	25,000	77,000	23,620	4,800	72,200	28,420
\$50,000.....	104,167	54,167	26,320	80,487	24,380	5,000	75,487	29,380
\$52,000.....	108,333	56,333	27,640	83,973	25,140	5,200	78,773	30,340
\$54,000.....	112,500	58,500	28,960	87,460	25,900	5,400	82,060	31,300
\$56,000.....	116,667	60,667	30,280	90,947	26,660	5,600	85,347	32,260
\$58,000.....	120,833	62,833	31,600	94,433	27,420	5,800	88,633	33,220
\$60,000.....	125,000	65,000	32,920	97,920	28,180	6,000	91,920	34,180
\$62,000.....	129,167	67,167	34,240	101,407	28,940	6,200	95,207	35,140
\$64,000.....	133,333	69,333	35,560	104,893	29,700	6,400	98,493	36,100
\$66,000.....	137,500	71,500	36,880	108,380	30,460	6,600	101,780	37,060
\$68,000.....	141,667	73,667	38,200	111,867	31,220	6,800	105,067	38,020
\$70,000.....	145,833	75,833	39,520	115,353	31,980	7,000	108,353	38,980
\$72,000.....	150,000	78,000	40,840	118,840	32,740	7,200	111,640	39,940
\$74,000.....	154,167	80,167	42,160	122,327	33,500	7,400	114,927	40,900
\$76,000.....	158,333	82,333	43,480	125,813	34,260	7,600	118,213	41,860
\$78,000.....	162,500	84,500	44,800	129,300	35,020	7,800	121,500	42,820
\$80,000.....	166,667	86,667	46,120	132,787	35,780	8,000	124,787	43,780
\$82,000.....	170,833	88,833	47,440	136,273	36,540	8,200	128,073	44,740
\$84,000.....	175,000	91,000	48,760	139,760	37,300	8,400	131,360	45,700
\$86,000.....	179,167	93,167	50,080	143,247	38,060	8,600	134,647	46,660
\$88,000.....	183,333	95,333	51,400	146,733	38,820	8,800	137,933	47,620
\$90,000.....	187,500	97,500	52,720	150,220	39,580	9,000	141,220	48,580
\$92,000.....	191,667	99,667	54,040	153,707	40,340	9,200	144,507	49,540
\$94,000.....	195,833	101,833	55,360	157,193	41,100	9,400	147,793	50,500
\$96,000.....	200,000	104,000	56,680	160,680	41,860	9,600	151,080	51,460
\$98,000.....	204,167	106,167	58,000	164,167	42,620	9,800	154,367	52,420
\$100,000.....	208,333	108,333	59,320	167,653	43,380	10,000	157,653	53,380
\$120,000.....	312,500	162,500	111,820	274,320	88,180	15,000	259,320	83,180
\$200,000.....	416,666	216,666	156,820	373,486	43,180	20,000	353,486	63,180

¹ It is assumed that such deductions and exemptions equal the amount of income other than dividends.

² Corporate marginal rate of 52 percent in these computations.

³ In the interest of simplicity the 100 exclusion is ignored.

Again let me emphasize that industry needs equity capital to provide for a balanced growth and development. If we are to continue to increase our productivity, which is necessary to raise living standards and wages, the capital investment per worker must continue to increase. These funds can be derived from the sale of common stock if we foster such investments through this bill, or they can be derived through bond issues which yield the Government no corporate tax revenues. Bonded debt is undesirable for other reasons.

Henry C. Simons is quoted in *Production, Jobs, and Taxes*, a CED publication, as follows:

Heavy fixed (or floating) debt is obviously undesirable for the single enterprise in an unstable economy or industry. Any temporary adversity is likely to produce insolvency with grave losses not only for the stockholders but also for senior securities and the enterprise as a whole, through the great costs of reorganization and the inevitable disturbances of operations and business relations which insolvency involves. Moreover, even if technical insolvency and reorganization are avoided, the enterprise and the whole economy may gravely be damaged by the practices necessary in avoiding it. Thus physical properties may be abused merely to prolong technical, legal solvency, to avoid definitive squeezing out of shareholders, management, or "control" in bankruptcy or reorganization, and thus to gamble (with nothing to lose) on remotely favorable contingencies. The physical plant may thus be bled white to meet current obligations, especially interest payment and bond maturities, in the pursuit of mere liquidity.

These things are doubtless widely understood. What is less clearly apprehended is the aggravated instability of the whole economy, and the obstacle to deliberate monetary stabilization, which corporate debt structures produce in their aggregate. It should be obvious what desperate and frantic struggles for corporate liquidity mean in total where the economy has slipped into general recession which, debt structures apart, might prove innocuous and shortlived. They may well mean the difference between a mild recession and a precipitous, catastrophic deflation.

Mr. Chairman, what Mr. Simons said some years ago is just as true today.

Let me again emphasize that the so-called rich are not worrying about this bill. They have invested in tax-exempt securities. I have obtained unanimous consent to insert at this point in the RECORD table No. 2, showing the percent of corporate earnings before taxes and of dividends paid which may be retained by an individual investor whose entire income is derived from dividends under present law and under H. R. 8300. This table shows that the investor receiving \$10,000 in dividends under present law retains 35.3 percent of the corporate earnings before taxes and 73.6 percent of the dividends paid him. Under H. R. 8300, he will retain 40.1 percent of the corporate earnings before taxes and 83.6 percent of the dividends paid to him. The investor receiving \$100,000 in dividends now retains 15.7 percent of the corporate earnings before taxes and 32.7 percent of the dividends paid to him. Under H. R. 8300, he would retain 20.5 percent of the corporate earnings before taxes and 42.7 percent of the dividends paid to him. Mr. Chairman, I say that this relief is necessary as the Government is losing billions of dollars in tax

revenue as individuals, under present law, exercise their perfectly proper and legal alternative by placing their money in tax-exempt securities.

TABLE NO. 2.—Percent of earnings and dividends retained by individual under present law and under H. R. 8300

Taxable income derived entirely from common stock dividends. No allowance for deductions or personal exemptions ¹	Under present law				Under H. R. 8300	
	Corporate earnings before taxes necessary to pay dividend with no retained earnings	Amount of earnings retained by individual	Percent of total earnings of corporation retained by individual	Percent of dividends retained by individual	Percent of total earnings of corporation retained by individual	Percent of dividends retained by individual
\$2,000	\$4,167	\$1,600	38.4	80.0	43.2	80.0
\$4,000	8,333	3,160	37.9	79.0	42.7	79.0
\$6,000	12,500	4,640	37.1	77.3	41.9	77.3
\$8,000	16,667	6,040	36.2	75.5	41.0	75.5
\$10,000	20,833	7,360	35.3	73.6	40.1	73.6
\$12,000	25,000	8,600	34.4	71.7	39.2	71.7
\$14,000	29,167	9,740	33.4	69.6	38.2	69.6
\$16,000	33,333	10,800	32.4	67.5	37.2	67.5
\$18,000	37,500	11,800	31.5	65.6	36.3	65.6
\$20,000	41,667	12,740	30.6	63.7	35.4	63.7
\$22,000	45,833	13,620	29.7	61.9	34.5	61.9
\$24,000	50,000	14,460	28.8	60.0	33.6	60.0
\$26,000	54,167	15,260	27.9	58.2	32.7	58.2
\$28,000	58,333	16,020	27.0	56.4	31.8	56.4
\$30,000	62,500	16,740	26.2	54.6	30.9	54.6
\$32,000	66,667	17,420	25.4	52.8	30.0	52.8
\$34,000	70,833	18,060	24.6	51.0	29.1	51.0
\$36,000	75,000	18,660	23.8	49.2	28.2	49.2
\$38,000	79,167	19,220	23.0	47.4	27.3	47.4
\$40,000	83,333	19,740	22.3	45.6	26.4	45.6
\$42,000	87,500	20,220	21.6	43.8	25.5	43.8
\$44,000	91,667	20,660	20.9	42.0	24.6	42.0
\$46,000	95,833	21,060	19.1	39.8	23.9	39.8
\$48,000	100,000	21,420	17.9	37.2	22.7	37.2
\$50,000	104,167	21,740	16.7	34.9	21.5	34.9
\$52,000	108,333	22,020	15.7	32.7	20.5	32.7
\$54,000	112,500	22,260	12.2	25.5	17.0	25.5
\$56,000	116,667	22,460	10.4	21.6	15.2	21.6

¹ It is assumed that such deductions and exemptions equal the amount of income other than dividends.

To obtain the 2.33 percent net yield after taxes, which is the present yield on tax-exempt bonds, the \$10,000 dividend would have to represent an earnings return before taxes of 6.6 percent and a dividend yield of 3.17 percent. The individual receiving \$100,000 in dividends would need an earnings return of 14.84 percent before taxes and a dividend rate of 7.13 percent in order to have an investment as attractive as a tax-exempt bond. Needless to say, corporate investments have risks and hazards which do not ordinarily accompany tax-exempt bonds. Mr. Chairman, I have obtained unanimous consent to insert tables 3 and 4 in the RECORD at this point. Table 3 shows the percent of earnings on an investment before taxes to yield a net return to an individual of 2.33 percent in the respective income-tax brackets. Table 4 shows the rate of dividend required in each of these brackets to give a net yield after taxes of 2.33 percent to the individual.

TABLE 3.—Percent earnings on investment before taxes to yield 2.33 percent net to individual

Taxable income derived entirely from common stock dividends. No allowance for deductions or personal exemptions ¹	Under present law	Under H. R. 8300
\$2,000	6.1	5.4
\$4,000	6.2	5.5
\$6,000	6.3	5.6
\$8,000	6.4	5.7
\$10,000	6.5	5.8
\$12,000	6.6	5.9
\$14,000	6.7	6.0
\$16,000	6.8	6.1
\$18,000	6.9	6.2
\$20,000	7.0	6.3
\$22,000	7.1	6.4
\$24,000	7.2	6.5
\$26,000	7.3	6.6
\$28,000	7.4	6.7
\$30,000	7.5	6.8
\$32,000	7.6	6.9
\$34,000	7.7	7.0
\$36,000	7.8	7.1
\$38,000	7.9	7.2
\$40,000	8.0	7.3
\$42,000	8.1	7.4
\$44,000	8.2	7.5
\$46,000	8.3	7.6
\$48,000	8.4	7.7
\$50,000	8.5	7.8
\$52,000	8.6	7.9
\$54,000	8.7	8.0
\$56,000	8.8	8.1
\$58,000	8.9	8.2
\$60,000	9.0	8.3
\$62,000	9.1	8.4
\$64,000	9.2	8.5
\$66,000	9.3	8.6
\$68,000	9.4	8.7
\$70,000	9.5	8.8
\$72,000	9.6	8.9
\$74,000	9.7	9.0
\$76,000	9.8	9.1
\$78,000	9.9	9.2
\$80,000	10.0	9.3
\$82,000	10.1	9.4
\$84,000	10.2	9.5
\$86,000	10.3	9.6
\$88,000	10.4	9.7
\$90,000	10.5	9.8

¹ It is assumed that such deductions and exemptions equal the amount of income other than dividends.

TABLE 3.—Percent earnings on investment before taxes to yield 2.33 percent net to individual—Continued

Taxable income derived entirely from common stock dividends. No allowance for deductions or personal exemptions	Under present law	Under H. R. 8300
\$100,000	14.8	11.4
\$150,000	19.1	13.7
\$200,000	22.4	15.3

TABLE 4.—Yield required on dividends paid to give 2.33 percent to individual

Taxable income derived entirely from common stock dividends. No allowance for deductions or personal exemptions ¹	Under present law	Under H. R. 8300
\$2,000	2.9	2.6
\$4,000	3.0	2.6
\$6,000	3.0	2.7
\$8,000	3.1	2.7
\$10,000	3.2	2.8
\$12,000	3.3	2.9
\$14,000	3.4	2.9
\$16,000	3.5	3.0
\$18,000	3.6	3.1
\$20,000	3.7	3.2
\$22,000	3.8	3.2
\$24,000	4.0	3.4
\$26,000	4.3	3.6
\$28,000	4.5	3.8
\$30,000	4.8	4.0
\$32,000	5.0	4.1
\$34,000	5.4	4.4
\$36,000	5.9	4.7
\$38,000	6.3	4.9
\$40,000	6.7	5.2
\$42,000	7.1	5.5
\$44,000	7.5	5.8
\$46,000	7.9	6.1
\$48,000	8.3	6.4
\$50,000	8.7	6.7

¹ It is assumed that such deductions and exemptions equal the amount of income other than dividends.

No, Mr. Chairman, this is not a tax relief bill for the rich. It is a measure which will increase equity investments and thereby increase Federal revenues through the operation of a combined corporate and personal income tax. It is a measure which will insure the capital to maintain a dynamic economy. It is a measure to provide equity investments so that our economic structure

will be more stable and less subject to failure should a recession take place. It is a measure which will encourage the new businesses which must appeal to investors with substantial means and who must have some hope of securing a yield after taxes commensurate with the risk in investing in new business. It is a measure which will provide employment in the construction and capital goods industries, as it will encourage investment in new facilities and modernization. It is a measure which will provide higher wages for labor. Many present labor-management contracts include provisions for annual productivity wage increase. These increases can only be paid if the productivity of the economy continues to advance. This requires a balanced flow of new capital investment which the pending measure will foster. Finally, it will increase the revenues of the Treasury so that a general tax reduction through a revision of rates may ultimately be effected while maintaining a balanced budget. This is a sound approach to the Government's revenue needs.

Mr. REED of New York. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. Knox].

Mr. KNOX. Mr. Chairman, in a very short time we the Congress are going to vote on this very important measure. I fully realize there is going to be a vote taken on the motion to recommit. I am going to oppose that motion. The reason I shall oppose it is that I have a son who has a wonderful wife and four wonderful children. I am going to meet my responsibility today because I know my son would want me to meet it. He wants to meet the responsibility that is his today, and not pass it on to his children, my grandchildren.

One of the outstanding features of this bill is the effectiveness with which it meets the major tax problems of small business. A tax revision bill to encourage initiative and create jobs must necessarily face up to these problems, for small business is the cornerstone of the American economy. That is exactly what the carefully developed relief and incentive provisions of the bill have done. In this respect the bill reflects the vital and constructive interest which the present administration has shown in encouraging small business as an essential element in the balanced economic development of the Nation. In his first state of the Union message in which President Eisenhower first discussed the tax revision program which has taken shape in the present bill, he stated:

We must develop a system of taxation which will impose the least possible obstacle to the dynamic growth of the country. This includes particularly real opportunity for the growth of small business. Many readjustments in existing taxes will be necessary to serve these objectives and also to remove existing inequities. Clarification and simplification in the tax laws . . . will be undertaken.

The bill accomplishes in large measure the basic objectives to encourage small business, remove restraints on initiative and incentive which are particularly burdensome on small business, and cre-

ate the kind of tax environment in which small business can survive and flourish.

For years exhaustive study has been given both inside and outside the Congress to the tax problems and difficulties that beset small business. For years lip service has been given to the need for constructive action in this area. Now for the first time we have specific concrete measures to correct the situation.

A canvass of the major complaints and criticisms that have been expressed by small business and its representatives in the past decade indicates that those aspects of the tax laws which were of great concern to small business include, first, the inadequacy of depreciation allowances; second, the stringency of the existing section 102 surtax on surplus accumulations; third, existing limitations on the net operating loss deductions; fourth, the treatment of research and development expenditures; fifth, the rigorosity and uncertainty of the tax treatment of the recapitalization and reorganization of small business; sixth, problems of estate tax payment; and seventh, the need for clarification and simplification of tax laws and procedures. The double taxation of dividend income, while a fundamental problem in the structure of our tax laws, has also raised special problems for small businesses which seek to expand since it has made it especially difficult to sell shares of stock.

Each in this formidable list of problem areas is squarely dealt with in the bill.

DEPRECIATION

One of the most constructive steps taken in the bill to reduce obstacles to investment is its improved treatment of depreciation in computing taxable income. Under the proposed declining-balance method at rates double the corresponding straight-line rate, investment in all types of new depreciable assets, including the industrial and commercial buildings and equipment which comprise the fixed assets of small business, may be recovered at a much faster rate. Under the proposed treatment, over 40 percent of the cost of new property may be written off in the first quarter and approximately two-thirds of the cost in the first half of its life.

While the depreciation allowance is essentially a matter of timing of deductions, the speed of tax-free recovery of cost is of particular importance to small business because of its greater risk, its need for working capital, and its limited ability to borrow. More rapid recovery of capital will give small business important tax dollars in the years in which the new property is producing its greatest revenue. These tax savings will increase the liquid assets and the working capital position of the business which will be used to reinvest or pay off loans. In many cases, the ability to retire indebtedness over a relatively short period of time may be the factor which makes the loan possible. The proposed depreciation provisions providing a 10-percent leeway in the determination of service life and related administrative provisions will be of major interest to small business in removing sources of fruitless controversy to which small business has been particularly vulnerable.

SECTION 102 TAX ON SURPLUS ACCUMULATIONS

For many years small business has voiced its complaints about the harsh aspects of the present rules concerning the taxation of corporate surplus accumulations. Controversies over the application of the section 102 tax have particularly affected small business retaining earnings in liquid form for future use. The small business whose profits do not permit the immediate undertaking of a building or expansion program but require gradual accumulation for future needs has been particularly hard hit. The large and profitable concern, even though closely held, has been in better position to make current expenditures and thus avoid the so-called immediacy test which makes it difficult for the small business to accumulate earnings for sizable expansion projects.

The provisions of the bill in this area will remove the fears and uncertainties which have retarded small business expansion, caused premature or unwise investment, and prevented the accumulation of adequate liquid reserves.

The bill provides that the first \$30,000 of retained earnings is not in any case to be considered excessive or subject to penalty tax. Amounts retained in excess of \$30,000 need not be reinvested immediately. Where a business submits a statement indicating reasons for retaining earnings, the burden of proving that the accumulation is unreasonable will be upon the Government. These changes will permit the management of a small business needed freedom in determining investment policy.

NET OPERATING LOSS DEDUCTIONS

Small business has a particular interest in the tax treatment of spotty and irregular earnings. Present law provides for a 1-year carryback and a 5-year carryforward of net operating loss as an offset against taxable income of other years. The bill would extend the period for the carryback to 2 years, thus providing a total span of 8 years for absorbing a loss. The additional year for the carryback not only gives greater assurance of offset of losses but also speeds up the tax relief in many cases by making it available in the year the loss occurs. This will mean the refund will be made when the money is most needed, rather than require the business to wait until it can carry forward the loss to some future year when profits arise. Both these features will be of particular value to small businesses with fluctuating income and limited financial reserves to tide over a period of losses.

RESEARCH AND EXPERIMENTAL EXPENDITURES

Research and development expenditures are often necessary for the success of small growing businesses. Many small businesses have been at a disadvantage because of uncertainties concerning the deductibility of research and experimental expenditures, particularly those which are not a part of a regular research and development budget. To eliminate uncertainties and encourage research and experimental activity, the bill provides that expenditures for these purposes may at the option of the taxpayer be treated as deductible expenses. The bill also provides that a taxpayer may elect to capitalize such expenditures

and may write them off over a period of not less than 60 months beginning with the month in which benefits are first realized. These provisions will assure small business tax benefit from expenditures whether they expense them as incurred or amortize them as benefits accrue.

ACCOUNTING PROVISIONS

Those provisions of the bill which bring tax accounting into closer harmony with general business accounting will be of real benefit to small business. Differences between tax and business accounting practices in the definition of income have often made it necessary for business to keep two sets of books, a necessity which is particularly burdensome to the small-business man.

The bill will conform tax accounting wherever feasible to the accounting system generally used in a taxpayer's trade or business. These provisions will apply to both proprietorships and partnerships as well as corporations. Income will be reported for tax purposes when earned in a business and deductions for expenses will be allowed at the time proper under the taxpayer's method of accounting. The expense, confusion, and possible duplication of reporting of income which result under present law will, for the most part, be eliminated.

CHANGES IN CAPITAL STRUCTURE

The bill recognizes that it is not enough merely to facilitate the growth of small businesses but that its continued independent existence is equally important. In this connection it gives specific needed attention to the problems of financing estate tax liabilities and the tax treatment of changes in the capital structure of corporations which are necessary when the owner of a business seeks to withdraw his investment to give his estate greater liquidity or effect a transfer to a new generation of management.

For years the rules governing the tax treatment of recapitalization and partial liquidation have been highly technical, rigorous, and uncertain. Many business owners have preferred to sell out to a large corporation with the consequent extinction of the business as an independent equity rather than run the gauntlet of the tax laws in this area. To deal with this problem the bill provides that the issuance of preferred stock dividends to holders of common stock would be possible without subjecting such distributions to income tax. Other types of recapitalization which would achieve similar results could also be permitted tax free. At the same time, certain safeguards have been established to prevent the use of such transactions to bail out or siphon off corporation earnings without payment of income tax. These provisions will remove tax barriers to needed financial rearrangements to facilitate new financing or bring in new management. It should remove some of the tax pressures which have encouraged the sale of small companies to larger competitors.

REDEMPTION OF STOCK TO PAY DEATH TAXES

The bill also broadens the present provisions which permit the tax-free redemption of stock in a corporation to pay estate taxes if the stock represents

35 percent or more of the gross estate of the decedent. The purpose of this provision is to avoid the forced sale or liquidation of a business in order to pay Federal estate taxes. The most important addition is provision for the tax-free liquidation of stock in two or more corporations if the decedent owned 75 percent or more of the stock of each. The present provision is limited to stockholdings in one corporation. The Committee bill also extends the tax-free liquidation privilege to cases where such stockholdings comprise 50 percent of the net estate, as well as 35 percent of the gross estate provided by present law. The bill also enlarges the amount of tax-free redemption permissible to include funeral and administrative expenses and makes certain other technical changes.

These provisions remove a serious hardship on a family whose principal asset consists of stock in small corporations, which might otherwise have to be sold or liquidated to pay death taxes. Because of its limited market it is difficult to dispose of an interest in a closely held corporation without undue sacrifice.

ELIMINATION OF DOUBLE TAXATION ON THE SALE OF A BUSINESS

When a corporation now sells its business the shareholders may be subject to a double tax—one imposed on the corporation at the time of sale and another imposed on the shareholders when the corporation is liquidated. Whether or not such double taxation is imposed depends on the form of the transactions, and can be avoided only by careful planning. It therefore presents a trap for the unwary or for the small business which cannot afford expert legal advice.

The new bill eliminates such discriminatory taxation by permitting the sale of corporate assets and the distribution of the proceeds without a tax at the corporate level on any gain realized. Shareholders, however, would be taxed at ordinary income tax rates or capital gains rates, depending on the character of the assets sold. This provision removes possible tax barriers to corporate transactions which are of particular benefit to small and growing businesses.

PARTNERSHIP PROVISIONS

Small businesses frequently operate in the form of a partnership. The present tax treatment of partnership transactions is based for the most part on inconsistent case law and Internal Revenue rulings. It is uncertain and confused on a number of vital points such as the transfers of assets into and out of partnerships, sales of partnership interests, noncash and distributions to partners, et cetera.

The bill provides clear, rational, simple statutory rules for handling partnership transactions. Businesses operating as partnerships will be able to plan their organization, operation, and distributions, with some certainty as to tax consequences. The easily workable methods outlined in the bill are important because many partners are taxpayers with small incomes.

DOUBLE TAXATION OF DIVIDENDS

The proposed relief from double taxation of dividends will make a direct con-

tribution to the healthy growth of small business. The present taxation of corporate income once as earned by the business and again as individual income when paid as dividends has restricted the market for shares of stock in companies which need outside equity financing. With the market for equity shares subject to this handicap, small business has been driven to debt financing where that was possible. In other cases where borrowing was not possible for the small business, it has meant no expansion except from limited sources of retained earnings. The proposed dividend-received exclusion and credit under the bill will make shareholding more attractive to investors and thus open up a vital source of capital to small business.

CONCLUSION

This brief survey, while not exhaustive, touches some of the highlights of the bill as it affects small business. Other features too numerous to mention will also be of direct or indirect help to the small businessman. For those who have a sincere purpose in building the kind of tax structure that small business needs to survive and grow, this bill provides a real opportunity for concrete, definite action. Such action is long overdue. Small business has been able to survive as well as it has in the past decade only because of the unusual conditions created in an inflationary economy under the forced draft of the post-war backlog of demands and a rising level of defense expenditures. As we look to a future more stable peacetime economy, we can no longer rely on this kind of artificial and unhealthy stimulus to keep small business alive and vigorous. Instead we must provide the healthy conditions for growth, an important part of which are the tax changes affecting small business contained in the bill.

Mr. REED of New York. Mr. Chairman, I yield 2 minutes to the gentleman from California [Mr. YOUNGER].

Mr. YOUNGER. Mr. Chairman, as a new Member it was difficult for me to see why all the opposition from the right to a tax-revision bill which I believe will be a foremost work of the 83d Congress. So I looked into the recent tax history as made by the Congress:

A. No tax relief from 1932 to 1948, when we had a Republican Congress.

B. Married-couple exemptions started at \$2,500 and were gradually whittled away until they reached the low of \$1,000.

C. Single exemptions declined in same period from \$1,000 to \$500.

D. Treasury deficits every year.

What does this prove? That the present minority during all the years they were the majority made no effort to reduce taxes—you had a very consistent tax policy of spend, spend, tax, tax, elect, elect. There was nothing done for either the little or big taxpayer, but much was done to him. So now when a tax-revision bill is introduced it is natural and consistent that the minority leadership should oppose it. Also, this debate and vote will actually determine who is supporting President Eisenhower. Recently I received an editorial from a Dallas, Tex., paper suggesting the nomination of President Eisenhower on the Democratic ticket in 1956.

You did the same thing in the second session of the 80th Congress. Many of the same objections, only then you laughed at the raise of the \$100 in the exemptions and wanted it raised to \$700. But to your everlasting credit you did not just pick out two features of the bill and try to scuttle it but in your motion to recommit you struck out everything after the enacting clause and substituted a new bill, thus giving the House a real alternative, and be it said to your further credit, 120 of you voted against the bill after you lost the motion to recommit. There was not the scurry to get on the record in favor as there was the other day when you lost the recommitment motion on the excise-tax. American's admire anyone who stands by his convictions, but much of this debate smacks of pure "demagoguery." No reductions for the little man—that is what you said last week on the excise tax—but \$792 million of the reduction is outside the fur and jewelry reductions. Consider there are 40 million families, a saving of \$20 per family in such things as admissions, handbags, toilet preparations, electric-light bulbs, telephone calls, and travel—a saving equal to your \$100 increase in exemptions.

In this bill every segment of our population is benefited by some relief—increased medical deductions, reduction in annuities taxation, reduction in case of a working child, retirement credits, deductions for carrying charges on installment purchases, child-care expense for widows, reductions for farmers on conservation expenditures, and depreciation on new equipment, and many others.

Much has been said about which party helps the so-called small fellow—over there on the right you claim all the credit, but let us see just what has happened to the little man while the Democrats were in control, and that is best illustrated by what has happened to the liquid assets of this group from 1946 to 1953.

In 1946, 24 percent of our people did not have \$100 or did not have any liquid assets. Today 29 percent of them do not have liquid assets.

Assets from \$100 to \$199: In 1946, 15 percent, now 16 percent.

Only 1 percent increase; But listen to this: From \$200 to \$499, it dropped from 14 to 12 percent.

From \$500 to \$999 it dropped from 14 to 11 percent.

From \$1,000 to \$2,000 it dropped from 14 percent to 12 percent.

From \$2,000 to \$5,000 it dropped from 13 percent to 11 percent.

When you come to the \$5,000 class you find that there is an increase of from 4 to 5 percent. When you come to the class from \$10,000 of liquid assets along up they have increased from 2 percent to 4 percent.

Some of you, as thought, seem to have an aversion to giving the corporation an even break with its unincorporated competitor. Look at this statement of the Scott Paper Co.: Earnings in 1913 per share, \$8.40; income tax per share, \$4.80; net after taxes per share, \$3.60; dividends, \$2.61 per share, which the holder again pays—a tax at his highest bracket. I cannot understand how you expect to have an ever-increasing standard of liv-

ing and high wages for the worker if you do not give the corporation a break, because if the corporation has to have enough left after taxes to pay the increase.

Everyone in this House knows this is a good bill, as will be evidenced by the rush to get on record in favor of it if the recommittal motion is defeated.

Mr. COOPER. Mr. Chairman, I yield 7 minutes to the gentleman from New York [Mr. KEOGH].

Mr. KEOGH. Mr. Chairman, like many who have preceded me, I shall not undertake to discuss the technical provisions of the pending bill. They will for a long time and at length be incorporated in the decisions that will emanate from the tax and other courts of the country. I should, however, like to devote just a few moments to refer to an obvious omission in the pending bill, an omission that I might point up by reading a few paragraphs from the very learned decision of Mr. Justice Radish in the mythical case of Haddock and others against the Board of Inland Revenue, written by A. P. Herbert, English barrister and one-time member of the House of Commons, in Mr. Herbert's *Uncommon Law*.

Mr. Justice Radish first sets forth the issues in the case as follows:

The appellant in this case is a Mr. Albert Haddock, a pertinacious litigant whom we are always glad to see. And let me say that it gives me pleasure to see the Commissioners, so often and for such poor cause the initiators of litigation, for once upon their defense.

Mr. Haddock asks for a declaration that he is, and has been for some years, entitled to certain allowances or deductions for income-tax purposes under the heading of (a) expenses and (b) wear and tear of machinery and plant; and on the assumption that he is right he claims that a considerable sum is owing to him in respect of past years in which the Commissioners have refused to grant him such allowances.

Mr. Haddock appears on behalf of the whole body of authors, artists, and composers, and the position of a large number of creative brain-workers will be affected by our decision.

His disposition of the wear and tear issue appears then in the following statement:

Next, as to wear and tear. One of the constant disadvantages of the author's trade is that he is a one-man business, at once his own employer, designer, technician, machine-minder, and machine. Once the soap manufacturer has equipped and organized his factory he may relax; a week's holiday; a month's illness will not suspend the output of his soap or the growth of his income. But when the author stops, the machine stops, and the output stops. He is unable, on holiday, in sickness, or in age, to depute his functions to any other person. Here is one more reason why a hundred pounds earned by the author should not be treated and taxed on the same terms as a hundred pounds accruing as profit to the soap manufacturer. Yet, says Mr. Haddock, since this is done, let it be done thoroughly and logically. The author's machinery and plant are his brain and his physique, his fund of inventiveness, his creative powers. These are not inexhaustible; they are seldom rested (for the reasons given above); the strain upon them increases as the years go by, and in some cases, I understand, is aggravated by late hours and dissipation. If it is proper for the soap manufacturer to

be relieved in respect of the wear and tear of his machinery and the renewal thereof (which money can easily buy) how much more consideration is owing to the delicate and irreplaceable mechanism of the writer.

Under this head Mr. Haddock has repeatedly appealed for relief in respect of sums expended on doctor's accounts, on sunlight treatment, on nourishing foods and champagne, and upon necessary holidays at Monte Carlo and Cowes. The Commissioners have refused, and I find that they were wrong.

Under both heads, therefore, Mr. Haddock's appeal succeeds. He estimates that if his expenses be properly calculated on the basis already explained he has never yet made a taxable profit; for at the end of every year of his literary operations he has been a little more in debt than the year before. In every year, therefore, he has been wrongly assessed and unlawfully taxed; and I order the Commissioners to reopen the accounts for the past 7 years and repay to Mr. Haddock the very large sums owing to him.

Mr. Chairman, Mr. Haddock's plight is the plight of every professional and self-employed person in this country, the great body of millions of people who either cannot by law or who chose not to operate under the corporate form of business.

Pending legislation before the great Ways and Means Committee embodied in bills introduced by the gentleman from Ohio [Mr. JENKINS], the gentleman from Georgia [Mr. CAMP], and the gentleman from Alabama [Mr. ELLIOTT], would cure the obvious defects that are apparent in our existing tax law and continued under this proposed revision bill, affecting a body of 10 million people who represent one of the most important segments of our American economy. I sincerely trust, Mr. Chairman, that this legislation will soon be at the top of the agenda of our great committee.

Mr. Chairman, meaning not to add to the discomfort of the sponsors of the pending bill, I think it fair that I remind them that in October of 1952 in a very strong and unequivocal statement the then candidate, the present great President of the United States, endorsed the principles of this legislation that would forever correct the sad, sad plight of the Mr. Haddocks of America, the men and the women who deserve consideration in their efforts to obtain legislation which would permit them to set up restricted, tax-deferred, voluntary retirement systems.

For the quotation from Justice Radish's opinion, I am indebted to John E. Laughlin, Jr., of Pennsylvania in his article, "Tax Treatment of Retirement Plans" which appeared in the *National Public Accountant*, the organ of the National Society of Public Accountants, for November 1953.

Mr. COOPER. Mr. Chairman, I yield 5 minutes to the gentleman from Georgia [Mr. LANHAM].

Mr. LANHAM. Mr. Chairman, I regret very much that the gentleman from Wisconsin [Mr. BYRNES], chose to end his speech today on such a low plane, and that the gentleman from New Jersey [Mr. KEAN], charged the Democratic Party with being in favor of an increase in exemptions to try to buy the election this fall. Let me say to the gentleman from New Jersey that if things go along as they are now, we are not going to have to buy the election this fall, and

let me say to the gentleman from Wisconsin I am sure that the members of the Democratic Party and even those on your side who favor an increase in exemptions are just as sincere and patriotic as you are in the advocacy of your side of this problem. It is entirely out of place, it seems to me, to charge that there is only one reason for our sponsorship of this increase in exemptions and to charge that it is pure politics. I think it comes about from a basic difference in political philosophy. The gentleman from Illinois [Mr. MASON], promised to talk to us about philosophy. I did not know that he was a philosopher; I knew he was a great statesman, but I do not recall that he said anything about philosophy or the Republican philosophy of government. Most people refer to it as the trickle-down theory of economic and political philosophy. Well, I think it is better to call it the feed-the-big-bull philosophy, the idea being that if you feed the big bull that he will blow enough or he will push out enough food for the heifer calves, the bull yearlings, and the cows. The gentleman from North Dakota [Mr. BURDICK], knows what I am talking about. Now, that is your philosophy, and that is put in a crude way, perhaps, but it states your philosophy, and if you think that is right, why, that is just fine. I think you are wrong. It is the same philosophy that Mr. Wilson stressed when he said whatever is good for General Motors is good for the country. What he should have said, and the Democratic philosophy is, that whatever is good for the country is good for General Motors.

Mr. Chairman, H. R. 8300, the tax-revision bill now before the Committee for consideration, is so voluminous and technical that I, of course, would not attempt to analyze it or express any opinion about its technical provisions. No doubt, many of these are wise and should be adopted but there are certain provisions which seem to me unwise at the present time. If there were a dearth of risk or investment capital and if production had not already far outstripped consumption, it might be wise to encourage investment by reducing or eliminating the tax on dividends. Even here I have a reservation because this would reverse what used to be our income-tax policy, that is the granting of an earned income-tax credit. It has not been too many years since a distinction was made between earned income and income from dividends and interest. It was the policy of our Government and, I think, a wise one, to grant to a taxpayer an income credit for the earned portion of his income.

But, be that as it may, there is certainly now no dearth of risk and investment capital. The trouble in the United States today is that we have produced more than the people are able to buy. Hence the policy of the administration which might be wise in a period of prosperity is altogether wrong in the emergency which faces us today. Unemployment is mounting, much of our productive capacity is idle and what we should do now is to stimulate buying. The reduction in excise taxes will help, but our proposal that personal exemptions be increased by \$100, will do even

more to stimulate buying. At the same time, of course, it gives relief to those taxpayers who need it most.

I do not think the Republican Party can be criticized too much for its advocacy of this bill which, in spite of all the denials that have been made, does favor the large taxpayer and people of the high-income brackets. For the Republicans have done what they would be expected to do because the fundamental and basic philosophy of your party is, in such matters, to feed the big bulls in the hope that some of the feed the big bulls waste and blow from their troughs will fall to the ground and be eaten by the bull yearlings, the heifers, and the cows. It is often referred to as the trickle-down policy, but I think the feed-the-big-bull policy is a more appropriate designation of this mistaken philosophy.

The Democratic Party, on the other hand, has long believed and practiced the philosophy of building a firm foundation for prosperity by making it possible for the average citizen and our low-income groups to improve their situation in life and to receive their fair share of the products of our industrial system.

It used to be that the chief difference between the Democratic Party and the Republican Party was the attitude of each on the tariff question but, fundamentally, the difference now is this difference in the philosophy of the two parties as to where the emphasis should be placed in formulating tax policies and other economic programs—in the case of the Republican Party, for the interest of the high-income groups and, in the case of the Democratic Party, for the interest of the average American who earns his living by the sweat of his brow, whether the labor which produces the sweat is manual or mental. This policy of the Democrats over a period of 20 years resulted in the highest peaks of prosperity not only for the low-income groups but for all of our people. I am convinced that it is the sound philosophy of government and, therefore, am supporting the proposal to send this bill back to the committee with instructions to eliminate the provision that would reduce taxes on dividends and raise the personal exemption by \$100. This is not a matter of political expediency on my part, but of deep conviction that it is the wisest economic policy, especially during this period of readjustment.

Mr. COOPER. Mr. Chairman, I yield 5 minutes to the gentlewoman from Massachusetts [Mrs. ROGERS].

Mrs. ROGERS of Massachusetts. I thank the gentleman from Tennessee [Mr. COOPER]. Mr. Chairman, I am not going to use all the time granted me. If the Members are interested in my views, they will see some of my remarks in the RECORD at the end of the debate yesterday. In my remarks yesterday I gave the precise reasons for my opposition to this legislation. It fails to provide tax relief for millions and millions of Americans in the low-income group.

I resent very much the fact that Members on both sides speak of the recommittal motion which will be made, because this bill does not provide for an increase in exemptions for those in the low-income groups, as being a Demo-

cratic action, providing for higher exemptions for those in the low-income brackets as a Democratic measure. I do not consider this recommittal motion just a Democratic measure. There are 13 or more Republicans who introduced bills for the purpose of granting higher exemptions to the low-income groups, constituting the overwhelming majority of taxpayers within the Nation. There are Republicans who are also interested in helping these fine American people.

There are benefits for some of the people in this legislation. But these benefits are so small, so scarce, and involve such a small number they constitute only crumbs—just little crumbs tossed out to the vast majority of the American people as tax relief. This is, to say the least, unfair and misleading.

The American people have earned tax relief. They expected to get it from this Congress. They have come to us with outstretched arms and have been turned away with empty hands, and this from a government of the people, for the people, and by the people.

Mr. COOPER. Mr. Chairman, I yield 1 minute to the gentleman from Pennsylvania [Mr. EBERHARTER].

Mr. EBERHARTER. Mr. Chairman, I just want to call the attention of the Members this afternoon to the table on page 8B of the minority report, which shows that a man with a million-dollar income saves 11 percent of that in 1 year providing his income is from dividends. In other words, in 10 years, at the expense of the Federal Government, he would save \$1 million in taxes. Who would pay that \$1 million in additional taxes? Naturally, the small businessman, the wage earner and the salaried man. Now what will the man who gets the \$1 million income do with the money that he saves at the expense of the Government? Why, he would just invest that money in more stocks year after year so that every 10 years he would invest another \$1 million in stocks.

Whether that is going to upset our economy I do not know, especially in view of the fact that people would stop buying municipal bonds or State bonds because such bonds pay only about 2½ percent interest. The table also shows that a man who has income between \$4,000 a year and \$15,000 a year—getting that income from dividends alone—would get an average reduction of 50 percent in his tax liability.

If that is a fair tax bill, I do not know what that word means.

Mr. REED of New York. Mr. Chairman, I yield such time as he may desire to the gentleman from Michigan [Mr. SHAFER].

Mr. SHAFER. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. SHAFER. Mr. Chairman, I rise in support of the committee tax bill.

In doing so, I particularly invite you to take a long, hard look at the fierce new advocates of sweeping tax reduction.

The role is a strange one to them—and I thought I noticed some faltering

as they read their lines on TV Tuesday night. It was not surprising, for it was a new and unfamiliar script they were using.

The act is not a convincing one—precisely because it is so new and strange to the actors.

I spoke of the fierce new advocates of sweeping tax reduction. The fierceness, I might add, is "phony." It is an election-year ferocity. It is a ferocity which is most unconvincing against the 20-year record of "spend and spend, tax and tax, elect and elect."

Let us look at who is talking tax reduction. Let us look behind the crocodile tears which now well up in their eyes.

Specifically, let us consider the record of our two esteemed colleagues whose advertised reply to the President so obviously evaded the issues raised in Mr. Eisenhower's address to the Nation.

During their 20 years in Congress, they supported New Deal-Fair Deal policies which skyrocketed the national debt from less than \$20 billion to nearly \$260 billion. They supported tax measures which multiplied individual Federal tax collections by 70. They supported tax measures which multiplied corporation taxes by 35—until they have reached the point of outright confiscation. They supported not only these appalling increases in individual income, corporation, and excise taxes. They supported the government policies, domestic, and foreign, which made such tax increases inevitable. They supported the squanderers and the squandermania. They supported the whole philosophy and program of deficit spending. And they are advocating a grave extension of that same philosophy and program today when they urge additional demagogic tax reductions which could only have the effect of indefinitely postponing a balanced budget; which could only have the effect of further depreciating the purchasing power of the dollar, and which could only have the effect of further pyramiding the tax burden on future generations.

In a word, they propose to buy a Democratic victory next November, without even the decency of charging the purchase price for their political victory to the present generation of taxpayers. Instead, they propose to pass the bill for a 1954 New Deal-Fair Deal victory they hope to attain, on to the taxpayers of 1974, and 1994, and 2054. For mark my word, under a policy and program which contemplates more and more deficit spending, it will be impossible to pay the piper these Democrats hire within the next century.

No wonder one had a feeling that there was a weak, false note—a pseudo-fierceness, if you please—in the cries which these foes of high taxes raised on TV last Tuesday night.

Let us also look closely at the more recent record of these new foes of high taxes.

Where was their fierceness in support of tax-reduction in 1948?

Our esteemed colleagues, the gentleman from Texas [Mr. RAYBURN] and the gentleman from Tennessee [Mr. COOPER], were bitter-end opponents of the tax reduction program voted by the Republi-

can 80th Congress. They carried their opposition to the point of being numbered among the 88 Members who voted to sustain President Truman's veto of this tax bill.

In voting to sustain that veto, these 1954 advocates of reckless, demagogic tax-reduction proposals, were concurring with Mr. Truman's view, as expressed in his veto message, that "to reduce the income of the Government by \$5 billion at this time would exhibit a reckless disregard for the soundness of our economy and the finances of our Government."

In voting to sustain that veto, these 1954 advocates of tax reduction were concurring with Mr. Truman's view that the bill would reduce Government revenues to such an extent as to make likely a deficit in Government finances. Actually, of course, the tax burden was cut \$4.8 billion and, in addition, the budget was balanced, and the national debt was cut by \$7 billion.

In voting to sustain that veto, these now-fierce supporters of sweeping tax reduction were concurring with Mr. Truman's lip service to the proposition that priority should be given to reducing the public debt by substantial amounts.

In voting to sustain that veto, these Johnny-Come-Lately advocates of sweeping tax reductions were underwriting Mr. Truman's claim that "the bill would greatly increase the danger of further inflation, by adding billions of dollars of purchasing power."

In voting to sustain that veto, these same colleagues of ours were concurring in the view that enactment of the 1948 tax bill would constitute a serious obstacle in the path of realizing many urgently needed fundamental tax reforms.

We have, I might add, in the current tax bill, as the President pointed out Monday night, the first complete overhauling of our tax laws in 50 years, bringing reduced taxes and increased equity benefiting millions of taxpayers. But we find these advocates of reckless tax reductions perfectly willing to wreck these reforms by demagogic tax slashes which, they hope, will pay off at the polls next November.

Note, I repeat, that these new advocates of reckless tax reductions were the last-ditch supporters of the Truman tax bill veto in 1948—a veto which could muster only 88 votes in the House and 10 in the other body.

Let us look still more closely at the 1948 record of these Members who have such a ferocity for tax cuts in 1954.

The gentleman from Tennessee [Mr. COOPER] had his own sneering title for the 1948 tax bill. Here is what he said during debate on this bill, and I am quoting from the CONGRESSIONAL RECORD, volume 94, part 1, page 693:

"An act to borrow money and reduce taxes" should be the title given to the Knutson bill, H. R. 4790, because that will be the effect of the bill if enacted into law.

The gentleman from Tennessee in 1948 spoke at great length and with a fierceness matching that displayed Tuesday night—offering dire warnings about an unbalanced budget, an increased deficit, and an imperiled national economy if

the Republican tax cut were adopted. Events proved him wrong on every count. But now we are expected to accept his election-year advocacy of tax cuts far in excess of those prudent reductions and adjustments advocated by Republicans both in 1948 and in this present 1954 tax bill.

Let us turn to our other newly fierce advocate of sweeping tax reduction, the esteemed minority leader.

In 1948, the gentleman from Texas had this to say, by way of echoing the earlier statement of the gentleman from Tennessee:

I quite agree with the statement made the other day by the gentleman from Tennessee . . . that this bill should be entitled "A bill to reduce taxes and borrow money" because that is what we shall be compelled to do if this bill becomes law, for the bill, if it means anything, means that the Government of the United States will be in the red.

And the gentleman from Texas echoed his colleague's deep concern—deep, election-year concern, I might add—over the national debt, by offering this ominous warning:

No more calamitous thing could come to this country of yours and mine in the years that lie immediately before us if we do not make a substantial reduction in the national debt.

In one respect the position of the gentleman from Texas in 1948 was entirely consistent with his position in 1954. He was indulging the usual demagogic appeal for higher and higher exemptions. Whereas the bill provided for increasing the exemption from \$500 to \$600, the gentleman from Texas urged that it be upped to \$700. In so doing, incidentally, he obviously got his wires crossed with the White House—for Mr. Truman, in his subsequent veto message argued vigorously against any increased purchasing power as being dangerously inflationary.

There is a further note of consistency—demagogic consistency, I may add—between the views of these gentlemen in 1948 and in 1954. They are still preaching now, as they were preaching then, the class-war doctrine of "soak the rich." They wanted then, as they want now, to maintain the tax raid on the seed-corn of capitalistic venture-capital. They decried then, as they decry now, what they sneeringly call the trickle-down theory of prosperity.

They ignore the fact so pointedly made by President Eisenhower that "the average investment needed to buy the tools and facilities to give one of our people a job runs about eight to ten thousand dollars." They ignore the fact that this investment capital—subject now, and for the past 20 years, to confiscatory taxation—is the base, the very foundation of our prosperity. The real fierceness of these professed advocates of tax reduction is directed today, as it has always been directed, against this foundation of free enterprise. They will deny, of course, that they are the foes of capitalism. But they cannot deny that private enterprise is their favorite whipping-boy, and that they expect to garner votes by their customary belaboring of those whose investments make capitalism a possibility.

In this connection, I point out that the President's program—far from proposing a 5-percent reduction in corporate-income taxes at this time—actually asks for maintaining this tax at 52 percent. Yet because the President does propose reducing double taxation on income from investments, the old soak-the-rich cry is raised by these amazing new converts to tax reduction.

The time will undoubtedly come—as it should—when further lower bracket tax reductions will be possible through higher exemptions. Such increased exemptions were pioneered by the Republicans in 1948. Innumerable benefits to lower income taxpayers will accrue from adjustments made by the present committee bill. The President has made it clear that higher exemptions will wreck the overall tax program and will, almost certainly, invite a veto. I do not propose to jeopardize these clear and certain tax-reduction benefits for problematical and reckless reductions urged by those who have shown that they are no real friends of the taxpayers.

Incidentally, permit me to inject the reminder that the partisan Democratic opposition to this tax bill completely explodes their previous pious claim that the President must rely upon them for the success of his administration's program.

There is an old warning that "by their fruits ye shall know them." We know the fruits of these long-time disciples of the tax and tax, spend and spend, elect and elect doctrine. We have tasted those bitter fruits for 20 years—confiscatory taxes, debts, and deficits. Surely we will not be deceived by their new and unaccustomed zeal for tax reduction. Well may we ask whether they will love the taxpayer as ardently in December as they profess to in March and May and July. We know the answer, from the record. No true friend of economy, debt reduction, and sound tax policy should be deceived.

Mr. COOPER. Mr. Chairman, I yield 5 minutes to the gentleman from Texas [Mr. RAYBURN].

Mr. RAYBURN. Mr. Chairman, having such a bad cold today, I should not trespass upon your time or punish myself, if there were not just a few things that have been left unsaid that I think should be said.

Many Members have spoken about the different views of the Republicans and Democrats on government and on the question of taxation since the days of Alexander Hamilton and Thomas Jefferson.

I noticed that some of our brethren went out a few weeks ago and glorified Abraham Lincoln as the founder of the Republican Party. Abraham Lincoln believed in fairness and in justice. He believed in being just to everybody, and in giving everybody an equal opportunity. I doubt, if Abraham Lincoln were living today, that he would be in sympathy with a great many of the things that those who wear his name as Republicans, are saying, in claiming that he was their leader.

This "trickle down" thing, of course, has been talked about, and that is true, still true, in my opinion, with reference

to the way the Republicans want to write tax bills.

Something has been said about what was good for some group is good for another, but this tax bill, it appears to me, is written upon the theory that what is good for the big taxpayer, the big income receivers, is also the answer to all the ills of all the other millions of people in the United States.

There are some things in this bill that I heartily endorse, that I would like to vote for. Some of those things were in the bill offered by the gentleman from Illinois [Mr. MASON], and I understand they are incorporated in the bill. But I must consider this bill as a whole. When I consider it as a whole, believing as I have always believed that legislation should never be passed to punish somebody but that legislation at all times should be passed to bring about as near justice as possible, fair play and equal opportunity, I do not think this bill is written on a prescription like that and, therefore, it cannot have my support unless the motion to recommit is carried.

Unfair? Take the man with a \$4,000 income that he makes with his hands and with his brain. He pays \$240 a year income tax. The man that receives a \$4,000 income from dividends pays \$110. If that is any approach of justice or fair play, then I have failed to find it in all of my years. What is justice and what is fair play?

I have heard some amazing statements, conflicting, made on this floor on the Republican side. I think the gentleman from New York [Mr. REED] and most of the members of his committee are saying that this is not a tax-reduction bill. I have heard them say that. But I understand the gentleman who is to succeed me in this place, Mr. HALLECK, the leader of the Republican Party in the House, made this statement on yesterday:

Mr. Chairman—

Said the gentleman from Indiana [Mr. HALLECK]—

today and tomorrow the House debates another major step toward providing the American people with the largest tax-cutting program in the Nation's history.

There is quite a difference between the majority leader on that side of the House and those Republican members on the Committee on Ways and Means who have recognized, many of them, that this is a pretty ticklish time to reduce taxes, when our budget is out of balance, when we are going to be compelled to go into deficit spending. I want to predict now, and I am sad to be compelled to predict that on the 30th of June of this year this budget, an honest budget, if it is made up as an honest budget, will be out between five and eight billion dollars, because this bill is going to have a different face on it when it comes back from the Senate of the United States, and it is going to cure, I trust, some of the inequities in here and some of the loopholes left that the gentleman from Arkansas [Mr. MILLS] so well pointed out as loopholes in this bill.

I do not think this bill is fair to the taxpayers of the United States. I do not think it brings about justice.

Mr. COOPER. Mr. Chairman, I have no further requests for time on this side.

Mr. REED of New York. Mr. Chairman, I yield the balance of the time on this side to the gentleman from Indiana [Mr. HALLECK].

Mr. HALLECK. Mr. Chairman, this is serious business that we are about. As the gentleman from Texas knows, I have the greatest personal affection for him, as I have for every Member of this body. I have served here a while when my party had the responsibility. I have served here most of the time when my party did not have the responsibility because we were the minority and not the majority. But through all of that time, I have tried to be fair as best I could according to my lights. I have tried to do the things that were in the best interests of the country. I well recall when I first came here in 1935, in January, we were still struggling with the problems of the depression. And I say to my friends on the right, your party was then in power. I said then, and I meant it, that if your administration and the Congress could come up with the answers to solve the difficult problems facing the country, I wanted to help do it even though it meant the complete destruction of the party to which I owe allegiance. I want to say to my friends on both sides of the aisle, because there are none of us of any party or creed or anything else who can claim any monopoly on Americanism or patriotism, that we should be approaching this very important problem on that basis. This debate by and large has been friendly. It has been a good debate. I think here and there perhaps a little politics has crept into it. Being from Indiana myself, I am not above playing a little politics because, as you know, they say that the first words spoken by every child born in Indiana are these: "I am not a candidate for any public office, but I promise if nominated and elected, I will serve to the best of my ability." So I certainly would not say that I have been completely oblivious at all times to the political consequences, but I do say to my colleagues that there come times even as when I first came here, and even as we now find ourselves, when the problems before us involving our very survival and the survival of the free world are of such tremendous consequences that we should forego politics and we should forego operations that perhaps are motivated in some little degree by political considerations. We ought to close ranks and as Members of this great House of Representatives get right down to the job of doing what is best for our country.

Now let us look back a bit. We had a new administration elected—may I inquire how much time I have, Mr. Chairman?

The CHAIRMAN. The gentleman had 33 minutes to start with. The gentleman has 29 minutes left.

Mr. HALLECK. I trust I shall not take all of that time and I certainly would not want to bore you that long, but I do want to say a few words about this situation as I see it.

We had an election in 1952, and a great American, Dwight D. Eisenhower, was

elected President of the United States. He was elected President primarily because the people of the country wanted a new set of managers. He won an overwhelming victory. He carried a great many States; he carried some States from which there is not a single Republican Member in this body.

But may I ask all of my friends from some of those areas: Will you not agree with me that while you were returned here and while the Republican majority here is paper-thin, your people expected you to come down here and do what you could, fairly and reasonably and in regard to your own responsibilities to your constituencies and your consciences, to further the program of the man who heads this new set of managers whom the American people put in charge of the business of this country?

I think the people of the country want the President and his administration to have a chance for success. Certainly I think it is the obligation of all of us to give him and those managers that chance.

On our side we have a responsibility, certainly, to our President and to our administration, to our pledges in the campaign, to our promises to the American people to do our part to carry that program forward.

I note over here on my right again many Members have proclaimed their allegiance to the President. They have said to their people back home on countless occasions that his program is good, it is sound, it is forward-looking, we like it, and we Democrats are going to do an even better job of supporting him than are the Republicans.

Well, you know, as we say in Indiana, we are about to divide up the men from the boys on that one. We are coming now to the time when we are going to find out.

What has been asked here is not unreasonable at all. The President spoke to the people of the country, ably, effectively, and fairly. He listed in the opening part of his statement certain portions of the program specifically, and then he said these words:

We want, above all, maximum protection of freedom and a strong and growing economy; an economy free from both inflation and depression.

Most of these things cost money. Without adequate revenue most of them would be abandoned or curtailed. That is why our tax proposal is the cornerstone—

Get that—

is the cornerstone of our whole effort. It is a tax plan designed to be fair to all. I am sure you join me in the hope that Congress before it adjourns will approve the entire program.

That expresses our purpose, and there is a whole category of things that are a part of this program. I have understood that on this side of the aisle some people are going to vote for this motion to recommit which would, as I understood from the gentleman from Massachusetts last week, eliminate that section dealing with double taxation of dividends and add \$100 increase on the personal exemption.

They are going to vote for the motion to recommit and then vote against the

bill because they think there should not be any tax reduction at all.

How in heaven's name can anyone justify a position like that, if that is the attitude against the bill?

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. HALLECK. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. The gentleman referred to me as the gentleman from Massachusetts?

Mr. HALLECK. Yes.

Mr. McCORMACK. Did I use that latter statement?

Mr. HALLECK. Oh, no, what you said was—

Mr. McCORMACK. I want the RECORD clear.

Mr. HALLECK. I certainly do not want to have any misunderstanding about what the gentleman from Massachusetts said last week. What he said was that the motion to recommit which would be offered to this bill would be one to remove the provision respecting double taxation of dividends and, secondly, to increase the personal exemption by \$100. In the absence of any information to the contrary, I have assumed that would be the motion to recommit to be offered by the minority side.

Mr. McCORMACK. But not the latter statement.

Mr. HALLECK. No, of course not. Those were my words. The gentleman is quite right.

Mr. McCORMACK. I did make the additional statement that if we were playing politics we would confine it to the increase of six to seven hundred dollars.

Mr. HALLECK. I do not recall the gentleman said that, but he might well have.

Mr. Chairman, getting down to the matter of fiscal responsibility, let us talk again about what we have done. It has been spoken of here so many times that I hesitate to speak of it again. First of all, this is a tax-reduction program of better than \$7 billion. The 10-percent reduction that went into effect in January, \$3 billion, went right into the pockets of the taxpaying public, and I did not hear anyone on that side say that we should not do that. As a matter of fact, by and large you thought that was a good thing to do.

Now, we considered the excess-profits tax, and I think generally everybody agreed what we did was a good thing to do. Then the other day we had the bill to revise excise taxes involving a reduction of about a billion dollars. You know, a strange thing happened there which proved to me you all thought that was a fine bill. You offered a motion to recommit that involved \$40 million. If you had wanted to, you could have moved to eliminate the whole excise-tax bill. You had a right to put it in the motion to recommit, but you did not do it. So I assume from your action that the excise-tax measure was a good bill. You voted for it. That puts an estimated billion dollars into the pockets of the taxpayers. When we called the roll there were just three votes against it in the whole House. So you approved of that.

Now we come along to this bill. It is a tax-revision bill primarily, which involves a tax reduction to all sorts of people, millions and millions of people, individuals and businesses, amounting to \$1,400,000,000. If I may say so in all humility, when you attempt to make some sort of argument here out of the fact that the chairman called it a revision bill, while in speaking of this overall program I referred to it as a tax-reduction program, can it be denied that this bill presently before us does provide for \$1,400,000,000 decrease in tax revenues? It certainly does.

We heard the ranking minority member of the Committee on Appropriations, the gentleman from Missouri [Mr. CANNON], say that we all pledged ourselves to cut the cost of government, to balance the budget, and to reduce taxes. We have cut the cost of government. We have had help over there and where you Democrats have helped us, I say more power to you. We have had help from the administration. Then we have worked at it on my side. We have cut the cost of government and if we can achieve this \$7 billion tax reduction we are going to go on and try to cut the cost of government more. We are down to within striking distance of a balanced budget, even with the \$7 billion loss in revenue.

Now, then, what do you propose to do, you folks who are supposed to be so solicitous about the fiscal situation of the country? You are going to come along with a motion to recommit that will gain \$230 million and lose \$2.4 billion, so that you will give us a net loss of \$2,170,000,000. With that, Mr. Chairman, let me say that you are not even within striking distance of a balanced budget. Why, if you had wanted to really preserve your position of fiscal responsibility you would have said: Strike out all of the revision and for it substitute an increase in personal exemptions. But you did not do that. You want your cake and you want to eat it too because, apparently, by your motion to recommit you approve of everything in this revision bill except that one item.

You know, it is rather interesting to me to look back in the RECORD and to see what my good friends on the Democratic side said, the minority leader, my personal friend, the gentleman from Texas [Mr. RAYBURN], the ranking minority member of the Committee on Ways and Means, the gentleman from Tennessee [Mr. COOPER], and the gentleman from Massachusetts [Mr. McCORMACK] when we tried once in a previous Congress to raise exemptions \$100. You accused us of fiscal irresponsibility. You said we should not do it, that that was not the way to do the job at all. Of course, I know you are not going to strike out all of this bill, because you are not going back to the retired school teachers or the widowed working mothers or to all the other people for whom there are many good things in this bill and take a chance on having them ask you why you did it.

Now, as to the matter of fiscal responsibility, back in 1947 the gentleman from

Tennessee [Mr. COOPER] said, speaking of the tax reduction bill:

So I take the position, as does the minority on this occasion, that the first obligation of the Congress is to see to it that this Government of ours follows a sound fiscal policy.

Then in 1948 the gentleman from Texas [Mr. RAYBURN] said:

I want a sound dollar. I want a dollar that will buy as nearly 100 cents' worth of material as possible.

And he was making a speech against the bill that included an increase in exemption of \$100.

The gentleman from Tennessee said in 1948:

It is my conviction that the maintenance of a sound fiscal policy is one of the greatest obligations of the Congress to the American people. I do not know of any way that money can come into the Treasury of the United States without an act of Congress providing revenue legislation for that money.

Now, those were positions taken by my friends on the right. Why in heaven's name have they abandoned what was then a sound position? You ought to be standing with us rather than trying to push us into a further deficit of \$2.2 billion. Why, the gentleman from Tennessee said that we ought to come down as we went up. The gentleman from New Jersey [Mr. KEAN] applied himself to that very well, but the fact of the matter is that since the exemption was set at \$600, there have been 3 increases in rates; not personal exemptions, increases in rates, percentages. So if you want to go back down the way we came up, then we ought to deal with the rates before we deal with anything else. I do not see how there could be much argument about that.

This measure before us is a good bill. It contains things for which we have all been struggling for years. It is a revision bill. The gentleman from Arkansas [Mr. MILLS] back in 1947, complaining of the tax bill we then had before us, said:

The sound approach to this whole question of postwar tax revision is to make a comprehensive study of the entire Federal tax system.

And, so it went. The gentleman from Pennsylvania [Mr. EBERHARTER] took the same tack. Well, there again may I say, now that we have proceeded with tremendous effort to bring about the revision bill, the overall revision that you said ought to be done, why are you here seeking to destroy it? The fact is that revision is desirable, and that is what we are now doing.

There is another thing that is good in this bill, and that is the extension of the 52-percent tax on corporations. There was a lot of talk around here about how that ought to be compromised down to 50 percent. Some on my right thought so, and some over here. "No," we said to the people owning the corporations, "you have to go along with the 52-percent tax." Incidentally, there is an April 1 deadline on that 52 percent under the present law.

I have spoken of the good things in this bill, and you do not challenge them. Oh, you spoke of the little start that is made about double taxation on dividends, and my good friend from Texas

cited the difference between a man making \$5,000 from dividends and \$5,000 from working with his hands, but he forgot to tell you that the \$5,000 from dividends would have been \$10,000 but for the first 52 percent levied on corporations. That is a slight difference, is it? I think it is more than a slight difference; it is a big difference.

Now let me say to all of you who believe in a sound tax program, who believe in the provisions of this revision bill, who want that 52 percent tax extended, you vote for this motion to recommit and you are seriously jeopardizing the enactment of this legislation, and make no mistake about that. Perhaps you want to take that chance with it; I do not know.

The other day, in response to a question, the gentleman from Massachusetts [Mr. McCORMACK] said that he was against all tax reduction. You will find that on page 3034 of the Record where he said:

Does the gentleman clearly understand my state of mind? Now the gentleman asked me a further question: Do I think tax reductions should take place? My answer is "No."

Is that the position on your side?

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. HALLECK. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. Would the gentleman state what I said previously, that if it were coupled with stronger defense, and so forth.

Mr. HALLECK. The gentleman talked about defense. The President is talking about defense. Are you going to cripple the revenue situation so that adequate defense cannot be provided?

No, what the gentleman spoke of was this. I said it then and I say it again, that it was devious reasoning. Since we Republicans had undertaken certain tax reductions, that we had assumed the responsibility, therefore the Members on that side were going to help us out, not believing in any tax reduction at all, but were going to help us out by jumping right in and cutting taxes a lot more. If that makes sense, I cannot see it.

I want to say just one or two things in addition. The Republicans on the Ways and Means Committee have brought this bill out. We brought one out in the Republican 80th Congress and we finally passed it, and many of the Democrats voted to override a Presidential veto. It provided a reduction of \$4.8 billion for the American people. In this administration, as I said, we have provided a reduction of something better than \$7 billion as tax relief to the American people, individuals and businesses.

Let me say this to my friends on both sides of the aisle. I do not see how anyone, having any degree of fiscal responsibility at all, can take the position that we can afford any more tax reduction at this time than we have already provided and are providing in this total program. This is an overall reduction. There is something starting with the 10 percent, clear on down through, for everybody. It has been done on a sound basis. It is good for all of us.

There is talk about the trickle-down theory. The 10 percent does not repre-

sent the trickle-down theory. Perhaps the excess-profits tax did. But I heard the argument that the excess-profits tax was stifling small business. The reductions in the excise taxes do not represent the trickle-down policy.

Some people in the past have characterized certain pressures that have been put on as socialistic. I would not do that, but you can have proposals for tax reduction in this country which, if they were carried out, would destroy all incentives for people to invest, and all incentives for people to work and to try to do something for themselves. The hustle of the individual means the progress of the Nation.

Friends of mine on the Democratic side, with whom I have stood shoulder to shoulder through the years, are you going to vote for these pressures? I understand that Mr. Reuther took out after us last night, attacking this bill. Perhaps it does not suit him. I am sorry it does not. I wish it did suit him.

Let me say again that it is the program of the great President of the United States of America, Dwight D. Eisenhower, and the people whom he has brought in with him. Everybody ought to support it.

Now, one final word to many of my friends on the right or left who may be concerned as to the future. We shall continue to strive for economies in Government. We shall have the help of the administration. We cannot let down our guard with respect to national defense. Essential services of the Government must be carried forward. But among us, the Congress cooperating with a friendly, helpful administration, we shall seek to find ways and means to further reduce the taxes, to cut the costs of Government, and hence open the way for further reduction in taxes to the American people.

I promise you that just as soon as we can get those costs down and get to the point where, having regard to our fiscal responsibility we can give the American people more tax relief, we shall give it to you.

I received a letter this morning from George Meany, president of the American Federation of Labor, and he said, speaking of dividends, yes, and then he said something about the motion to recommit, and he spoke of increases in personal exemptions. Then he said "or as an alternative, a reduction in rates."

Now, I do not know for sure. I have some ideas about it. This is not the time to debate them, but I have some ideas of my own about whether further reduction should be in rates or by increases in exemptions. If I followed the advice of my friend from Tennessee [Mr. Cooper], then I would be for bringing the rates back down, because they were the last things that went up. But be that as it may, that is not a matter to be brought in here as a motion to recommit on a bill of this character, an overdue, able, conscientious effort to revise the whole tax structure, incidentally losing \$1,400,000,000 in revenue, and carrying with it the extension of the 52-percent tax on corporations.

You may say that feature is bait in the bill, but it is the best proof I know that

this is not a big business bill. This is a bill for the regular, common people of this country, to give them tax relief and to build a strong, expanding economy, that is the heart's desire of President Eisenhower and of everyone of us here. We ought to want that above everything else; yes, that, and the security and the defense of this great country we all love.

I beg of you, let us lay selfish considerations aside. I say this to both sides of the aisle, let us forget about political consequences, let us stand here and do the things that we know are right today. Let us vote down this motion to recommit and go on with the enactment of this revision bill.

The CHAIRMAN. All time has expired.

Under the rule, the bill is considered as having been read for amendment. No amendments are in order to the bill except amendments offered by direction of the Committee on Ways and Means.

Are there any committee amendments?

Mr. REED of New York. Mr. Chairman, by direction of the Committee on Ways and Means I offer a committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. REED of New York:

Page 46, in the third line of section 170 (b) (1), strike out "and (C)" and insert "(C), and (D)."

Page 47, at the end of section 170 (b) (1), insert:

"(D) Denial of deduction in case of certain transfers in trust. No deduction shall be allowed under this section for the value of any interest in property transferred after March 9, 1954, to a trust if—

"(i) the grantor has a reversionary interest in the corpus or income of that portion of the trust with respect to which a deduction would (but for this subparagraph) be allowable under this section; and

"(ii) at the time of the transfer the value of such reversionary interest exceeds 5 percent of the value of the property constituting such portion of the trust.

For purposes of this subparagraph, a power exercisable by the grantor or a nonadverse party (within the meaning of sec. 672 (b)), or both, to revert in the grantor property or income therefrom shall be treated as a reversionary interest."

Mr. REED of New York. Mr. Chairman, I yield to the gentleman from Missouri [Mr. CURTIS] to explain this amendment.

Mr. CURTIS of Missouri. Mr. Chairman, this amendment was unanimously adopted by the committee and its purpose is to plug the loophole which has been in existing law. The loophole was made more apparent at the time the committee adopted the liberalization policy in regard to charitable trusts created for a term of years with reversionary rights to the grantor. Under existing law, by means of these term charity trusts, a grantor was able in effect to get two deductions, first for the amount which was deducted from his gross income and then again the same amount as a charitable deduction. This amendment simply provides that only one deduction, the deduction from gross income is granted, and the charitable deduction is not granted. I ask the committee to adopt the amendment.

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WILSON of Indiana, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H. R. 8300) to revise the internal revenue laws of the United States, pursuant to House Resolution 473, he reported the bill back to the

House with an amendment adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the amendment. The amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. COOPER. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. COOPER. I am, Mr. Speaker.

The SPEAKER. The gentleman qualifies. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. COOPER moves to recommit the bill H. R. 8300 to the Committee on Ways and Means with instructions to report the same back to the House forthwith with the following amendments:

Page 4, in section 3, strike out "shown in the following table" and strike out the table on page 5, and insert "shown in whichever of the following tables applies to such year:

"TABLE I.—Taxable years beginning after Dec. 31, 1953, and before July 1, 1954

If adjusted gross income is—		And the number of exemptions is—				If adjusted gross income is—		And the number of exemptions is—								
At least	But less than	1	2	3	4 or more	At least	But less than	1	2	3			4	5	6	7 or more
								And tax-payer is single and not head of family, or is married filing separately	And tax-payer is single and not head of family, or is married filing separately	And tax-payer is filing joint return or is head of family	And tax-payer is single and not head of family, or is married filing separately	And tax-payer is filing joint return or is head of family				
		The tax is—						The tax is—								
\$0	\$725	\$0	\$0	\$0	\$0	\$2,350	\$2,375	\$295	\$165	\$165	\$35	\$35	\$0	\$0	\$0	\$0
725	750	3	0	0	0	2,375	2,400	300	170	170	40	40	0	0	0	0
750	775	7	0	0	0	2,400	2,425	304	174	174	44	44	0	0	0	0
775	800	12	0	0	0	2,425	2,450	309	179	179	49	49	0	0	0	0
800	825	16	0	0	0	2,450	2,475	313	183	183	53	53	0	0	0	0
825	850	21	0	0	0	2,475	2,500	318	188	188	58	58	0	0	0	0
850	875	25	0	0	0	2,500	2,525	322	192	192	62	62	0	0	0	0
875	900	30	0	0	0	2,525	2,550	327	197	197	67	67	0	0	0	0
900	925	34	0	0	0	2,550	2,575	331	201	201	71	71	0	0	0	0
925	950	39	0	0	0	2,575	2,600	336	206	206	76	76	0	0	0	0
950	975	43	0	0	0	2,600	2,625	340	210	210	80	80	0	0	0	0
975	1,000	48	0	0	0	2,625	2,650	345	215	215	85	85	0	0	0	0
1,000	1,025	52	0	0	0	2,650	2,675	349	219	219	89	89	0	0	0	0
1,025	1,050	57	0	0	0	2,675	2,700	354	224	224	94	94	0	0	0	0
1,050	1,075	61	0	0	0	2,700	2,725	358	228	228	98	98	0	0	0	0
1,075	1,100	66	0	0	0	2,725	2,750	363	233	233	103	103	0	0	0	0
1,100	1,125	70	0	0	0	2,750	2,775	367	237	237	107	107	0	0	0	0
1,125	1,150	75	0	0	0	2,775	2,800	372	242	242	112	112	0	0	0	0
1,150	1,175	79	0	0	0	2,800	2,825	376	246	246	116	116	0	0	0	0
1,175	1,200	84	0	0	0	2,825	2,850	381	251	251	121	121	0	0	0	0
1,200	1,225	88	0	0	0	2,850	2,875	385	255	255	125	125	0	0	0	0
1,225	1,250	93	0	0	0	2,875	2,900	390	260	260	130	130	0	0	0	0
1,250	1,275	97	0	0	0	2,900	2,925	394	264	264	134	134	4	0	0	0
1,275	1,300	102	0	0	0	2,925	2,950	399	269	269	139	139	9	0	0	0
1,300	1,325	106	0	0	0	2,950	2,975	404	273	273	143	143	13	0	0	0
1,325	1,350	111	0	0	0	2,975	3,000	409	278	278	148	148	18	0	0	0
1,350	1,375	115	0	0	0	3,000	3,050	416	285	285	155	155	25	0	0	0
1,375	1,400	120	0	0	0	3,050	3,100	426	294	294	164	164	34	0	0	0
1,400	1,425	124	0	0	0	3,100	3,150	436	303	303	173	173	43	0	0	0
1,425	1,450	129	0	0	0	3,150	3,200	446	312	312	182	182	52	0	0	0
1,450	1,475	133	3	0	0	3,200	3,250	456	321	321	191	191	61	0	0	0
1,475	1,500	138	8	0	0	3,250	3,300	465	330	330	200	200	70	0	0	0
1,500	1,525	142	12	0	0	3,300	3,350	475	339	339	209	209	79	0	0	0
1,525	1,550	147	17	0	0	3,350	3,400	485	348	348	218	218	88	0	0	0
1,550	1,575	151	21	0	0	3,400	3,450	495	357	357	227	227	97	0	0	0
1,575	1,600	156	26	0	0	3,450	3,500	505	366	366	236	236	106	0	0	0
1,600	1,625	160	30	0	0	3,500	3,550	515	375	375	245	245	115	0	0	0
1,625	1,650	165	35	0	0	3,550	3,600	525	384	384	254	254	124	0	0	0
1,650	1,675	169	39	0	0	3,600	3,650	535	393	393	263	263	133	3	0	0
1,675	1,700	174	44	0	0	3,650	3,700	545	402	402	272	272	142	12	0	0
1,700	1,725	178	48	0	0	3,700	3,750	555	412	411	281	281	151	21	0	0
1,725	1,750	183	53	0	0	3,750	3,800	564	421	420	290	290	160	30	0	0
1,750	1,775	187	57	0	0	3,800	3,850	574	431	429	299	299	169	39	0	0
1,775	1,800	192	62	0	0	3,850	3,900	584	441	438	308	308	178	48	0	0
1,800	1,825	196	66	0	0	3,900	3,950	594	451	447	317	317	187	57	0	0
1,825	1,850	201	71	0	0	3,950	4,000	604	461	456	326	326	196	66	0	0
1,850	1,875	205	75	0	0	4,000	4,050	614	471	465	335	335	205	75	0	0
1,875	1,900	210	80	0	0	4,050	4,100	624	481	474	344	344	214	84	0	0
1,900	1,925	214	84	0	0	4,100	4,150	634	491	483	353	353	223	93	0	0
1,925	1,950	219	89	0	0	4,150	4,200	644	501	492	362	362	232	102	0	0
1,950	1,975	223	93	0	0	4,200	4,250	654	511	501	371	371	241	111	0	0
1,975	2,000	228	98	0	0	4,250	4,300	663	520	510	380	380	250	120	0	0
2,000	2,025	232	102	0	0	4,300	4,350	673	530	519	389	389	259	129	0	0
2,025	2,050	237	107	0	0	4,350	4,400	683	540	528	398	398	268	138	8	0
2,050	2,075	241	111	0	0	4,400	4,450	693	550	537	407	407	277	147	17	0
2,075	2,100	246	116	0	0	4,450	4,500	703	560	546	417	416	286	156	26	0
2,100	2,125	250	120	0	0	4,500	4,550	713	570	555	427	425	295	165	35	0
2,125	2,150	255	125	0	0	4,550	4,600	723	580	564	437	434	304	174	44	0
2,150	2,175	259	129	0	0	4,600	4,650	733	590	573	447	443	313	183	53	0
2,175	2,200	264	134	4	0	4,650	4,700	743	600	582	457	452	322	192	62	0
2,200	2,225	268	138	8	0	4,700	4,750	753	610	591	467	461	331	201	71	0
2,225	2,250	273	143	13	0	4,750	4,800	762	619	600	476	470	340	210	80	0
2,250	2,275	277	147	17	0	4,800	4,850	772	629	609	486	479	349	219	89	0
2,275	2,300	282	152	22	0	4,850	4,900	782	639	618	496	488	358	228	98	0
2,300	2,325	286	156	26	0	4,900	4,950	792	649	627	506	497	367	237	107	0
2,325	2,350	291	161	31	0	4,950	5,000	802	659	636	516	506	376	246	116	0

"TABLE II.—Taxable years beginning after June 30, 1954

If adjusted gross income is—		And the number of exemptions is—				If adjusted gross income is—		And the number of exemptions is—								
At least	But less than	1	2	3	4 or more	At least	But less than	1	2	3			4	5	6	7 or more
								And taxpayer is single and not head of family, or is married filing separately	And taxpayer is single and not head of family, or is married filing separately	And taxpayer is filing joint return or is head of family	And taxpayer is single and not head of family, or is married filing separately	And taxpayer is filing joint return or is head of family				
		The tax is—														
\$0	\$775	\$0	\$0	\$0	\$0	\$2,375	\$2,400	\$290	\$150	\$150	\$10	\$10	\$0	\$0	\$0	\$0
775	800	2	0	0	0	2,400	2,425	294	154	154	14	14	0	0	0	0
800	825	6	0	0	0	2,425	2,450	299	159	159	19	19	0	0	0	0
825	850	11	0	0	0	2,450	2,475	303	163	163	23	23	0	0	0	0
850	875	15	0	0	0	2,475	2,500	308	168	168	28	28	0	0	0	0
875	900	20	0	0	0	2,500	2,525	312	172	172	32	32	0	0	0	0
900	925	24	0	0	0	2,525	2,550	317	177	177	37	37	0	0	0	0
925	950	29	0	0	0	2,550	2,575	321	181	181	41	41	0	0	0	0
950	975	33	0	0	0	2,575	2,600	326	186	186	46	46	0	0	0	0
975	1,000	38	0	0	0	2,600	2,625	330	190	190	50	50	0	0	0	0
1,000	1,025	42	0	0	0	2,625	2,650	335	195	195	55	55	0	0	0	0
1,025	1,050	47	0	0	0	2,650	2,675	339	199	199	59	59	0	0	0	0
1,050	1,075	51	0	0	0	2,675	2,700	344	204	204	64	64	0	0	0	0
1,075	1,100	56	0	0	0	2,700	2,725	348	208	208	68	68	0	0	0	0
1,100	1,125	60	0	0	0	2,725	2,750	353	213	213	73	73	0	0	0	0
1,125	1,150	65	0	0	0	2,750	2,775	357	217	217	77	77	0	0	0	0
1,150	1,175	69	0	0	0	2,775	2,800	362	222	222	82	82	0	0	0	0
1,175	1,200	74	0	0	0	2,800	2,825	366	226	226	86	86	0	0	0	0
1,200	1,225	78	0	0	0	2,825	2,850	371	231	231	91	91	0	0	0	0
1,225	1,250	83	0	0	0	2,850	2,875	375	235	235	95	95	0	0	0	0
1,250	1,275	87	0	0	0	2,875	2,900	380	240	240	100	100	0	0	0	0
1,275	1,300	92	0	0	0	2,900	2,925	384	244	244	104	104	0	0	0	0
1,300	1,325	96	0	0	0	2,925	2,950	389	249	249	109	109	0	0	0	0
1,325	1,350	101	0	0	0	2,950	2,975	393	253	253	113	113	0	0	0	0
1,350	1,375	105	0	0	0	2,975	3,000	398	258	258	118	118	0	0	0	0
1,375	1,400	110	0	0	0	3,000	3,050	405	265	265	125	125	0	0	0	0
1,400	1,425	114	0	0	0	3,050	3,100	415	274	274	134	134	0	0	0	0
1,425	1,450	119	0	0	0	3,100	3,150	425	283	283	143	143	3	0	0	0
1,450	1,475	123	0	0	0	3,150	3,200	435	292	292	152	152	12	0	0	0
1,475	1,500	128	0	0	0	3,200	3,250	445	301	301	161	161	21	0	0	0
1,500	1,525	132	0	0	0	3,250	3,300	454	310	310	170	170	30	0	0	0
1,525	1,550	137	0	0	0	3,300	3,350	464	319	319	179	179	39	0	0	0
1,550	1,575	141	1	0	0	3,350	3,400	474	328	328	188	188	48	0	0	0
1,575	1,600	146	6	0	0	3,400	3,450	484	337	337	197	197	57	0	0	0
1,600	1,625	150	10	0	0	3,450	3,500	494	346	346	206	206	66	0	0	0
1,625	1,650	155	15	0	0	3,500	3,550	504	355	355	215	215	75	0	0	0
1,650	1,675	159	19	0	0	3,550	3,600	514	364	364	224	224	84	0	0	0
1,675	1,700	164	24	0	0	3,600	3,650	524	373	373	233	233	93	0	0	0
1,700	1,725	168	28	0	0	3,650	3,700	534	382	382	242	242	102	0	0	0
1,725	1,750	173	33	0	0	3,700	3,750	544	391	391	251	251	111	0	0	0
1,750	1,775	177	37	0	0	3,750	3,800	553	400	400	260	260	120	0	0	0
1,775	1,800	182	42	0	0	3,800	3,850	563	409	409	269	269	129	0	0	0
1,800	1,825	186	46	0	0	3,850	3,900	573	419	419	278	278	138	0	0	0
1,825	1,850	191	51	0	0	3,900	3,950	583	429	427	287	287	147	7	0	0
1,850	1,875	195	55	0	0	3,950	4,000	593	439	436	296	296	156	16	0	0
1,875	1,900	200	60	0	0	4,000	4,050	603	449	445	305	305	165	25	0	0
1,900	1,925	204	64	0	0	4,050	4,100	613	459	454	314	314	174	34	0	0
1,925	1,950	209	69	0	0	4,100	4,150	623	469	463	323	323	183	43	0	0
1,950	1,975	213	73	0	0	4,150	4,200	633	479	472	332	332	192	52	0	0
1,975	2,000	218	78	0	0	4,200	4,250	643	489	481	341	341	201	61	0	0
2,000	2,025	222	82	0	0	4,250	4,300	652	498	490	350	350	210	70	0	0
2,025	2,050	227	87	0	0	4,300	4,350	662	508	499	359	359	219	79	0	0
2,050	2,075	231	91	0	0	4,350	4,400	672	518	508	368	368	228	88	0	0
2,075	2,100	236	96	0	0	4,400	4,450	682	528	517	377	377	237	97	0	0
2,100	2,125	240	100	0	0	4,450	4,500	692	538	526	386	386	246	106	0	0
2,125	2,150	245	105	0	0	4,500	4,550	702	548	535	395	395	255	115	0	0
2,150	2,175	249	109	0	0	4,550	4,600	712	558	544	404	404	264	124	0	0
2,175	2,200	254	114	0	0	4,600	4,650	722	568	553	414	413	273	133	0	0
2,200	2,225	258	118	0	0	4,650	4,700	732	578	562	424	422	282	142	2	0
2,225	2,250	263	123	0	0	4,700	4,750	742	588	571	434	431	291	151	11	0
2,250	2,275	267	127	0	0	4,750	4,800	751	597	580	443	440	300	160	20	0
2,275	2,300	272	132	0	0	4,800	4,850	761	607	589	453	449	309	169	29	0
2,300	2,325	276	136	0	0	4,850	4,900	771	617	598	463	458	318	178	38	0
2,325	2,350	281	141	1	0	4,900	4,950	781	627	607	473	467	327	187	47	0
2,350	2,375	285	145	5	0	4,950	5,000	791	637	616	483	476	336	196	56	0

Page 6, in section 4 (a), strike out "table" and insert "tables."

Page 6, in section 4 (f) (2), strike out "36" and insert "35."

Page 8, in the table of sections, strike out "Sec. 34. Dividends received by individuals." and renumber the following sections in such table accordingly.

Page 9, strike out section 34.

Page 10, renumber section 35 as section 34, and in subsection (b) (1) thereof strike out "the sum of the credits allowable under sections 33 and 34" and insert "the credit allowable under section 33 (relating to foreign tax credit)."

Page 10, renumber section 36 as section 35, and in the text thereof strike out "35" and insert "34."

Page 10, renumber section 37 as section 36.

Page 10, renumber section 38 as section 37, and in subsection (a) thereof strike out "section 34 (relating to credit for dividends received by individuals), and section 35" and insert "and section 34."

Page 11, renumber section 39 as section 38. Page 18, in section 74 (a), strike out "117" and insert "116."

Page 20, in the table of sections, strike out "Sec. 116. Partial exclusion of dividends received by individuals." and renumber the following sections in such table accordingly. Pages 29 and 30, strike out section 116.

Pages 30 and 31, renumber sections 117 through 121 as sections 116 through 120.

Page 33, in section 145, strike out "36" and insert "35."

Pages 33 and 34, in section 151, strike out "of \$600" each place it appears.

Page 34, strike out section 151 (e) (1) (A) and insert:

"(A) whose gross income for the calendar year in which the taxable year of the taxpayer begins is less than—

"(1) \$650, if such calendar year is the calendar year 1954, or

"(2) \$700, if such calendar year is any subsequent calendar year; or."

Page 34, insert at the end of section 151:

"(f) Amount of exemption: The amount of each exemption, and of each additional exemption, provided by this section is—

"(1) \$650, in the case of a taxable year beginning after December 31, 1953, and before July 1, 1954; or

"(2) \$700, in the case of a taxable year beginning after June 30, 1954."

Pages 48 and 49, in section 171, strike out "35" each place it appears and insert "34."

Page 144, in section 551 (c), strike out "35" and insert "34."

Page 151, in section 584 (c), strike out the heading and first sentence of paragraph (2) and insert:

"(2) Partially tax-exempt interest: The proportionate share of each participant in the amount of partially tax-exempt interest, on obligations described in section 34 or section 242, received by the common trust fund shall be considered for purposes of such sections as having been received by such participant."

Page 160, in section 642 (a) (1), strike out "35" each place it appears and insert "34."

Pages 160 and 161, in section 642 (a), strike out paragraph (3).

Page 161, in section 642 (b), strike out "\$600" and insert "\$650 in the case of a taxable year beginning after December 31, 1953, and before July 1, 1954, and \$700 in the case of a taxable year beginning after June 30, 1954."

Page 162, in section 643 (a), strike out paragraph (7).

Page 178, in section 702 (a), strike out paragraph (5) and insert:

"(5) Dividends received from corporations."

Page 178, in section 702 (a) (7), strike out "35" and insert "34."

Page 205, in section 854 (a), strike out "section 34 (a) (relating to credit for dividends received by individuals), section 116 (relating to an exclusion for dividends received by individuals), and."

Page 205, in section 854 (b) (1), strike out "the credit under section 34 (a), the exclusion under section 116, and."

Page 206, in section 854 (b) (2), strike out "the credit under section 34, the exclusion under section 116, and."

Page 219, in section 904 (a), strike out "37" and insert "36."

Page 222, in section 923 (a), strike out "37" and insert "36."

Page 223, in section 923 (d), strike out "37" and insert "36."

Page 279, in section 1402 (a) (3), strike out "35" and insert "34."

Page 407, in section 3402 (b) (1), strike out the table and insert:

"Percentage method withholding table"

Payroll period	Amount of one withholding exemption
Weekly.....	\$15.00
Biweekly.....	30.00
Semimonthly.....	32.00
Monthly.....	65.00
Quarterly.....	194.00
Semiannual.....	389.00
Annual.....	778.00
Daily or miscellaneous (per day of such period).....	2.10

Beginning on page 407, in section 3402 (c), strike out paragraph (1) (including the tables on pp. 408 through 412), and insert:

"(1) At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee a tax (in lieu of the tax required to be deducted and withheld under subsection (a)) determined in accordance with tables prescribed by the Secretary or his delegate. Such tables shall correspond in form to the wage bracket withholding tables applicable to wages paid during the period beginning on January 1, 1954, and ending on June 30, 1954, and shall provide for amounts of tax in the various wage brackets approximately equal to the amounts which would be determined if the deduction were made under subsection (a)."

Page 415, in section 3402 (f) (4), strike out "December 31, 1954," and insert "June 30, 1954."

Page 646, in section 6012 (a), strike out "\$600 or more" each place it appears in paragraphs (1) and (3) and insert "\$650 or more in the case of a taxable year beginning after December 31, 1953, and before July 1, 1954, or \$700 or more in the case of a taxable year beginning after June 30, 1954."

Page 646, in section 6012 (a) (1), strike out "\$1,200 or more" and insert "\$1,300 or more in the case of a taxable year beginning after December 31, 1953, and before July 1, 1954, or \$1,400 or more in the case of a taxable year beginning after June 30, 1954."

Page 649, in section 6013 (b) (3) (A) (ii), strike out "\$600 of gross income (\$1,200" and insert "\$650 of gross income in the case of a taxable year beginning after December 31, 1953, and before July 1, 1954, or \$700 of gross income in the case of a taxable year beginning after June 30, 1954 (\$1,300 or \$1,400, respectively."

Page 649, in section 6013 (b) (3) (A) (iii), strike out "\$600 or more (\$1,200" and insert "\$650 or more in the case of a taxable year beginning after December 31, 1953, and before July 1, 1954, or \$700 or more in the case of a taxable year beginning after June 30, 1954 (\$1,300 or \$1,400, respectively."

Page 650, in the last sentence of section 6014 (a), strike out "34 or 38" and insert "37."

Page 650, in section 6015 (a) (2), strike out subparagraph (A) and insert:

"(A) the amount obtained by multiplying—

"(i) \$650, in the case of a taxable year beginning after December 31, 1953, and before July 1, 1954, or

"(ii) \$700, in the case of a taxable year beginning after June 30, 1954,

by the number of exemptions to which he is entitled under section 151, plus."

Page 813, in section 7851 (a), strike out paragraph (3) and insert:

"(3) Subtitle C:

"(A) Subtitle C of this title shall apply only with respect to remuneration paid after December 31, 1954, except that—

"(i) chapter 22 of such subtitle shall apply only with respect to remuneration paid after December 31, 1954, which is for services performed after such date, and

"(ii) chapter 24 of such subtitle shall apply with respect to remuneration paid after June 30, 1954.

"(B) Chapter 9 of the Internal Revenue Code of 1939 is hereby repealed with respect to remuneration paid after December 31, 1954, except that—

"(i) subchapter B of such chapter (and subch. E of such chapter to the extent it relates to subch. B) shall remain in force and effect with respect to remuneration paid after December 31, 1954, for services performed on or before such date, and

"(ii) subchapter D of such chapter is hereby repealed with respect to remuneration paid after June 30, 1954. With respect to remuneration paid after June 30, 1954, and before January 1, 1955, references in subchapter E of such chapter to such subchapter D shall be treated as references to the corresponding provisions of this title."

Mr. COOPER (interrupting the reading of the motion to recommit). Mr. Speaker, in the interest of saving time, in view of the fact that there are several tables included in the motion to recommit, I ask unanimous consent that the further reading of the motion be dispensed with and that it be printed in the RECORD at this point.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. REED of New York. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

Mr. COOPER. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 204, nays 210, answered "present" 6, not voting 14, as follows:

[Roll No. 34]

YEAS—204

Abbott	Garnatz	O'Brien, Mich.
Abernethy	Gary	O'Brien, N. Y.
Addonizio	Gordon	O'Hara, Ill.
Albert	Granahan	O'Neill
Alexander	Grant	Passman
Andrews	Green	Patman
Angell	Gregory	Perkins
Ashmore	Hagen, Calif.	Pfost
Aspinall	Haley	Philbin
Bailey	Hardy	Pilcher
Barrett	Harris	Pillion
Bennett, Fla.	Harrison, Va.	Poage
Bentsen	Hart	Polk
Blatnik	Hays, Ark.	Powell
Boggs	Hays, Ohio	Preston
Boland	Hébert	Price
Bolling	Heller	Priest
Bonner	Herlong	Rabaut
Bowler	Holifield	Radwan
Bray	Holtzman	Rains
Brooks, La.	Howell	Rayburn
Brooks, Tex.	Ikard	Reams
Brown, Ga.	Jarman	Rhodes, Pa.
Buchanan	Johnson, Wis.	Richards
Buckley	Jones, Ala.	Riley
Burdick	Jones, Mo.	Rivers
Burleson	Jones, N. C.	Robeson, Va.
Byrd	Karsten, Mo.	Rodino
Byrne, Pa.	Kee	Rogers, Colo.
Camp	Kelley, Pa.	Rogers, Fla.
Campbell	Kelly, N. Y.	Rogers, Mass.
Cannon	Keogh	Rogers, Tex.
Carlyle	Kilday	Rooney
Carnahan	King, Calif.	Roosevelt
Celler	Kirwan	Saylor
Chelf	Klein	Secret
Chudoff	Kluczynski	Selden
Condon	Landrum	Shelley
Cooley	Lane	Sheppard
Cooper	Lanham	Sieminski
Crosser	Lantaff	Sikes
Crumpacker	Lesinski	Smith, Miss.
Davis, Ga.	Long	Spence
Dawson, Ill.	Lucas	Staggers
Deane	McCarthy	Stead
Delaney	McCormack	Sullivan
Dodd	McMillan	Sutton
Dollinger	Machrowicz	Teague
Donohue	Mack, Ill.	Thomas
Donovan	Madden	Thompson, La.
Dorn, S. C.	Magnuson	Thompson, Tex.
Dowdy	Mahon	Trimble
Doyle	Marshall	Tuck
Durham	Matthews	Van Zandt
Eberhart	Metcalfe	Vinson
Edmondson	Miller, Calif.	Walter
Elliott	Miller, Kans.	Watts
Engle	Mills	Wheeler
Feighan	Mollohan	Whitten
Fernandez	Morgan	Wickersham
Fine	Morrison	Wier
Fino	Moss	Williams, Miss.
Fogarty	Moulder	Williams, N. J.
Forand	Multer	Willis
Forrester	Murray	Winstead
Fountain	Natcher	Yates
Frazier	Norrell	Yorty
Friedel	O'Brien, Ill.	Zablocki

NAYS—210

Adair	Betts	Carrigg
Allen, Calif.	Bishop	Cederberg
Allen, Ill.	Bolton	Chatham
Andersen	Frances P.	Chenoweth
H. Carl	Bolton	Chilperfield
Andresen	Oliver P.	Church
August H.	Bonin	Clevenger
Arends	Bosch	Cole, Mo.
Auchincloss	Bow	Cole, N. Y.
Ayres	Brown, Ohio	Coon
Baker	Brownson	Corbett
Bates	Broyhill	Cotton
Beamer	Budge	Coudert
Becker	Busbey	Cretella
Belcher	Bush	Cunningham
Bender	Byrnes, Wis.	Curtis, Mass.
Berry	Canfield	Curtis, Mo.

Curtis, Nebr. Jackson
Dague James
Davis, Wis. Javits
Dawson, Utah Jenkins
Dempsey Johnson, Calif.
Derounian Jonas, Ill.
Devereux Jonas, N. C.
D'Ewart Judd
Dies Kean
Dolliver Kearney
Dondero Kearns
Dorn, N. Y. Keating
Ellsworth Kersten, Wis.
Fenton Kilburn
Fisher King, Pa.
Ford Knox
Frelinghuysen Krueger
Fulton Laird
Gamble Latham
Gathings LeCompte
Gavin Lipscomb
Gentry Lovre
George McConnell
Golden McCulloch
Goodwin McDonough
Graham McGregor
Gross McIntire
Gubser McVey
Gwinn Mack, Wash.
Hagen, Minn. Mailliard
Hale Martin, Iowa
Halleck Mason
Hand Meader
Harden Merrill
Harrison, Nebr. Merrow
Harrison, Wyo. Miller, Md.
Harvey Miller, Nebr.
Heseltan Miller, N. Y.
Hess Morano
Hiestand Mumma
Hill Neal
Hillelson Nelson
Hillings Nicholson
Hinshaw Norblad
Hoeven Oakman
Hoffman, Ill. O'Hara, Minn.
Hoffman, Mich. Osmer
Holmes Ostertag
Holt Patterson
Hope Pelly
Horan Phillips
Hosmer Poff
Hruska Prouty
Hunter Ray
Hyde Reece, Tenn.

ANSWERED "PRESENT"—6

Bennett, Mich. Davis, Tenn.
Colmer Lyle O'Konski
Regan

NOT VOTING—14

Barden Clardy Patten
Battle Dingell Roberts
Bentley Evins Thornberry
Boykin Fallon Welch
Bramblett Jensen

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Davis of Tennessee for, with Mr. Jensen against.

Mr. Colmer for, with Mr. Bentley against.

Mr. Bennett of Michigan for, with Mr. Clardy against.

Mr. O'Konski for, with Mr. Welch against.

Mr. Thornberry for, with Mr. Regan against.

Mr. Evins for, with Mr. Bramblett against.

Mr. Dingell for, with Mr. Lyle against.

Mr. DAVIS of Tennessee. Mr. Speaker, I have a live pair with my hospital companion, the gentleman from Iowa, Mr. JENSEN. I voted "yea." If he were present he would vote "nay." Therefore, I withdraw my vote and answer "present."

Mr. COLMER. Mr. Speaker, I am recorded as voting "yea." I have a live pair with the gentleman from Michigan, Mr. BENTLEY. If he were present he would vote "nay." I withdraw my vote and vote "present."

Mr. LYLE. Mr. Speaker, I have a live pair with the gentleman from Michigan, Mr. DINGELL. If he were present he would vote "yea." I voted "nay." I withdraw my vote and vote "present."

Mr. REGAN. Mr. Speaker, I have a live pair with the gentleman from Texas, Mr. THORNBERRY. If he were present he would vote "yea." I voted "nay." I withdraw my vote and vote "present."

Mr. O'KONSKI. Mr. Speaker, I have a live pair with the gentleman from Ohio, Mr. WEICHEL, who is in the hospital. I voted "yea." If he were present he would vote "nay." I withdraw my vote and vote "present."

Mr. BENNETT of Michigan. Mr. Speaker, I have a live pair with the gentleman from Michigan, Mr. CLARDY, who is ill in the hospital. If he were here he would vote "nay." I voted "yea." I withdraw my vote and vote "present."

Mr. FULTON changed his vote from "yea" to "nay."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the passage of the bill.

Mr. MILLS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 340, nays 79, answered "present" 1, not voting 14, as follows:

[Roll No. 35]

YEAS—340

Adair Chipfield
Addonizio Chudoff
Alexander Church
Allen, Calif. Clevenger
Allen, Ill. Cole, Mo.
Andresen, Cole, N. Y.
August H. Colmer
Angell Condon
Arends Corbett
Ashmore Cotton
Auchincloss Coudert
Bailey Cretella
Baker Crumpacker
Barrett Cunningham
Bates Curtis, Mass.
Beamer Curtis, Mo.
Becker Curtis, Nebr.
Belcher Dague
Bender Davis, Ga.
Bentzen Davis, Wis.
Berry Dempsey
Betts Derounian
Bishop Devereux
Boggs D'Ewart
Boland Dodd
Bolling Dolliver
Bolton Dondero
Frances P. Donohue
Bolton, Dorn, N. Y.
Oliver P. Dorn, S. C.
Bonin Dowdy
Bosch Doyle
Bow Durham
Bray Elliott
Brooks, La. Ellsworth
Brown, Ga. Engle
Brown, Ohio Fenton
Brownson Fernandez
Broyhill Fino
Budge Fisher
Burdick Fogarty
Burleson Forand
Busbey Ford
Bush Forrester
Byrd Fountain
Byrne, Pa. Frazier
Byrnes, Wis. Frelinghuysen
Camp Friedel
Campbell Fulton
Canfield Gamble
Carlyle Garmatz
Carnahan Gathings
Carrigg Gentry
Cederberg George
Chenoweth Golden

Kean Kearney
Kearns Keating
Kee
Kersten, Wis.
Kilburn
Kilday
King, Calif.
King, Pa.
Knox
Krueger
Laird
Landrum
Lane
Lanham
Lantaff
Latham
LeCompte
Lipscomb
Love
Lucas
Lyle
McConnell
McCulloch
McDonough
McGregor
McIntire
McMillan
McVey
Mack, Ill.
Mack, Wash.
Magnuson
Mahon
Mailliard
Martin, Iowa
Mason
Matthews
Meader
Merrill
Merrow
Miller, Calif.
Miller, Kans.
Miller, Md.
Miller, Nebr.
Miller, N. Y.
Morano
Morgan
Morrison
Moss
Moulder
Mumma
Murray
Natcher
Neal
Nelson
Nicholson
Norblad
Norrell
Oakman
O'Brien, Ill.
O'Brien, N. Y.
O'Hara, Ill.
O'Hara, Minn.
O'Neill
Osmer
Ostertag
Passman
Patterson
Pelly
Perkins
Pfost
Phillips
Pilcher
Pillion
Poff
Polk
Preston
Price
Priest
Prouty
Radwan
Rains
Ray
Reece, Tenn.
Reed, Ill.
Reed, N. Y.
Rees, Kans.
Regan
Rhodes, Ariz.
Rhodes, Pa.
Richards
Riehlman
Riley
Rivers
Robison, Ky.
Rodino
Rogers, Colo.
Rogers, Fla.
Rogers, Mass.
Rogers, Tex.
Sadlak
St. George
Saylor
Schenck
Scherer
Scott
Scrivner
Scudder
Secrest
Seely-Brown
Selden
Shafer
Sheehan
Shelley
Sheppard

NAYS—79

Abbott
Abernethy
Albert
Andersen,
H. Carl
Andrews
Aspinall
Bennett, Fla.
Bennett, Mich.
Blatnik
Bonner
Bowler
Brooks, Tex.
Buchanan
Buckley
Cannon
Celler
Chatham
Cooley
Cooper
Crosner
Dawson, Ill.
Dawson, Utah
Deane
Delaney
Dies
Dollinger
Donovan
Eberharter
Edmondson
Feighan
Fine
Gary
Gordon
Green
Hardy
Harrison, Va.
Heller
Javits
Jones, Ala.
Jones, Mo.
Kelley, Pa.
Kelly, N. Y.
Keogh
Kirwan
Klein
Kluczynski
Lesinski
Long
McCarthy
McCormack
Machrowicz
Madden
Marshall
Metcalf
Mills
Mollohan
Multer
O'Brien, Mich.
O'Konski
Patman
Philbin
Poage
Powell
Rabaut
Rayburn
Reams
Robeson, Va.
Rooney
Roosevelt
Smith, Miss.
Smith, Va.
Spence
Staggers
Steed
Teague
Trimble
Tuck
Whitten
Wier

ANSWERED "PRESENT"—1

Davis, Tenn.

NOT VOTING—14

Barden Clardy Patten
Battle Dingell Roberts
Bentley Evins Thornberry
Boykin Fallon Welch
Bramblett Jensen

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Jensen for, with Mr. Davis of Tennessee against.

Until further notice.

Mr. Bentley with Mr. Evins.
Mr. Clardy with Mr. Barden.
Mr. Weichel with Mr. Fallon.
Mr. Bramblett with Mr. Thornberry.

Mr. O'HARA of Illinois changed his vote from "nay" to "yea."

Mr. DAVIS of Tennessee. Mr. Speaker, I have a live pair with the gentleman from Iowa, Mr. JENSEN. If he were present he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

ADJOURNMENT OVER AND PROGRAM FOR NEXT WEEK

Mr. HALLECK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at noon on Monday next.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

Mr. RAYBURN. Mr. Speaker, reserving the right to object, and I shall not object, I should like to inquire of the gentleman from Indiana what is the program for next week.

Mr. HALLECK. I shall be glad to announce the program for next week.

First, if this request is granted, I shall ask unanimous consent that the Committee on Rules may have until midnight tomorrow night to file rules.

Monday is District of Columbia Day. There is a bill from that committee, H. R. 8097, having to do with taxes in the District of Columbia and public works. It is a matter of considerable consequence. We expect to call that on Monday.

On Tuesday and for the balance of the week we expect to have ready the third supplemental appropriation bill, then H. R. 8152, regarding the veterans' loan program, from the Committee on Veterans' Affairs.

If any other rules are granted I shall of course let the gentleman from Texas know immediately, and any further program will be announced.

If there are any conference reports, of course they are in order at any time.

Mr. RAYBURN. I withdraw my reservation of objection, Mr. Speaker.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

COMMITTEE ON RULES

Mr. HALLECK. Mr. Speaker, I ask unanimous consent that the Committee on Rules may have until midnight tomorrow night to file reports.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

AUTHORIZATION TO SIGN ENROLLED BILLS

Mr. HALLECK. Mr. Speaker, I ask unanimous consent that notwithstand-

ing the adjournment of the House until Monday next the Clerk be authorized to receive messages from the Senate and that the Speaker be authorized to sign any enrolled bills and joint resolutions duly passed by the two Houses and found truly enrolled.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

BROWNSON SUBCOMMITTEE, COMMITTEE ON GOVERNMENT OPERATIONS

Mrs. ST. GEORGE. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the Record.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mrs. ST. GEORGE. Mr. Speaker, on Monday of this week the very distinguished chairman of the Committee on Government Operations had some words of wisdom for the House, on the subject of the expenses incurred by congressional committee in their travels.

The distinguished chairman said, and I quote:

A year or two ago three members of a subcommittee of the Committee on Government Operations made trips abroad. One was for 42 days in a Government plane. That committee made a worthwhile report. If followed through perhaps substantial savings will be made if its recommendations are adopted.

More recently, to be specific, from September 27, 1953, to October 24, 1953, a period of 24 days, a subcommittee headed by the chairman, the gentleman from Indiana [Mr. BROWNSON] and the gentleman from Michigan [Mr. MEADER] took two members of the staff and both Mr. BROWNSON and Mr. MEADER went on a 24-day trip around the world. They traveled from San Francisco to Honolulu, to Tokyo, to Korea, to Tokyo, to Manila, to Honolulu, to San Francisco, to Washington, D. C. The reported cost of that trip was \$1,311.75.

That, however, was not the total cost. That figure does not include the cost of transportation by Government plane. The figure given represents the per diem cost, not other costs. Had the trip been made by commercial airlines for a party of 5, by chartered plane, the cost would have been in a DC-4, \$51,514.75; in a DC-6, \$79,301.75. Had the trip been made on a commercial plane, first-class reservation with berth, the transportation cost would have been \$8,999. These figures, however, do not include costs of meals or lodgings away from the plane.

Now, of course, no one supports the chairman in his desire for economy more heartily than the Member now addressing the House, and no one is more cognizant of the chairman's desire to be entirely fair and unprejudiced in his remarks.

From the passage just quoted it would appear that the first subcommittee mentioned had done a fine job and an economical one, but that the second subcommittee, namely, the Brownson subcommittee, was in a different category.

Now, of course, I realize that the chairman never wanted to give any such impression, because it is not a correct impression.

The chairman seems to quarrel with the figure of \$1,311.75 as the cost of the trip taken to Japan and Korea by the subcommittee. I will admit that it is incredibly low, but the figure is absolutely correct.

Let me say that I was a member of this subcommittee, although the chairman does not seem to realize that I was along, which I do not hold in any way against him.

The chairman, in the last paragraph I have quoted, seems to be under the misapprehension that the Brownson subcommittee commanded a DC-4 or a DC-6, he is not too particular as to which, at a cost to the Government of \$51,514.75 or \$79,301.75. Had the subcommittee done such a thing, it would have been a grievous fault. But, the subcommittee actually traveled in military transport planes that were on their regular flights and were filled with men and women of the Armed Forces and their dependents. We traveled with them and in the same manner, and it cost the Government no more to transport us than any enlisted man. The traveling was neither comfortable nor luxurious. In fact, it can best be described as cheap and nasty. However, we would not have wanted to go any other way. We saw what our troops and their dependents have to put up with. We got to know them, and to admire their good nature and their indomitable sense of humor.

I know that when our report comes out the chairman, with his usual fairness and sense of proportion, will commend the Brownson subcommittee for a worthwhile job well done at the amazingly low cost of \$1,311.75.

AMENDMENT OF FAIR LABOR STANDARDS ACT

Mr. UTT. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the Record.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. UTT. Mr. Speaker, on March 10 I introduced H. R. 8333, to amend the Fair Labor Standards Act of 1938, as amended. This bill defines the inclusions under "State" in the act. It includes "any State of the United States, or the District of Columbia, Alaska, Hawaii, Virgin Islands, and the Commonwealth of Puerto Rico." I introduced this legislation after reviewing the problems that now exist on American Samoa and Guam. These islands were under jurisdiction of the Department of the Navy and were used for defense and supply bases at the time the Fair Labor Standards Act of 1938 was drafted. There was no way of knowing that some day the jurisdiction would be passed on to the Department of Interior and outside industry would be invited to move in. The Fair Labor Standards Act, which had no meaning to the two islands in the early days, now presents a barrier to all who might want to accept this invitation.

As an example, in American Samoa where a corporation has leased government equipment from the United States

for the purpose of operating a factory by training natives in the necessary skills, they are now having to operate under the wage and hour law. However, conditions in Samoa are so different from those in the continental United States that it is neither for the best interest of the natives of Samoa nor of the United States that the wage and hour law be applicable to American Samoa.

Not so fortunate were the contractors for the Defense Department who, in building defense installations on Guam, brought 12,000 Filipinos to the island for that work, and in order not to disturb the existing economy of the island, paid prevailing wages. They are now being used under the provisions of the Fair Labor Standards Act for double damages. You can readily see how, if the act were to continue in its present form of applicability to these two islands, it would soon result in a loss to the United States taxpayer of millions of dollars.

The mode and standard of living in the islands is quite different from that of the United States, and the natives require or desire few outside luxuries. Before 1944, there was one general store that supplied most of the needs of American Samoa. A native worked for several days, under the prevailing wage, to acquire \$1, which went a long way in providing for his needs.

Enforcement of the standards of the wage and hour law, as they apply to the United States would result in economic disaster if the islands should go back to their ordinary status with the withdrawal of defense work. Industries that are looking for markets in Australia, New Zealand, and the adjacent islands have expressed an interest in locating in American Samoa and Guam because they want to operate under American protection. But with the Fair Labor Standards Act in effect, this badly needed industry will not settle there and without it, the economy will be seriously threatened.

Inasmuch as these two islands are a part of the South Pacific or Asiatic economy, and as they are presided over by governors, with separate legislative bodies, I believe that they are fully capable and should have the privilege of establishing labor standards suitable for their respective islands. They recognize the conditions, both locally and in the surrounding areas, and I think their views should be taken into consideration for the best interest of all concerned. This legislation is now before the House Education and Labor Committee and I trust that the committee will give H. R. 8333 favorable consideration and that it will then be approved by this body.

COMMITTEE ON GOVERNMENT OPERATIONS

Mr. HOFFMAN of Michigan. Mr. Speaker, I ask unanimous consent that the Committee on Government Operations may have until midnight tomorrow night to file reports.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

THE PRESIDENT'S TAX PROGRAM

Mr. HOSMER. Mr. Speaker, I ask unanimous consent to extend my remarks at this point.

The SPEAKER. Is there objection to the request of the gentleman from California?

There were no objections.

Mr. HOSMER. Mr. Speaker, this raging debate on the tax bill seems to have submerged in the minds of some just what our Government is and what its relation to the people of our country really is.

The Government is we, the people of the United States; the people are the Government. As a citizen, each of us is a stockholder in the biggest business in the world—the United States of America. If that business goes bust, you go bust, we all go bust.

For no government is an earner. No government is a producer. Everything produced is produced by the people. Everything that a government says it will give the people, it first must take away from the people. That is a fundamental fact.

But it is so misunderstood that it is the basis for most of the misconceptions that are foisted on us by people who misconstrue the fact that, in the long run, no government can ever take care of them. They, the people, must take care of themselves. True, those less-fortunate individuals may be assisted in periods of need. But this assistance comes from their fellow citizens acting by and through their government, not from the "government" as something in the abstract.

Moreover, there are some among us who deliberately mislead by saying, for example, that competitive enterprise, which really makes this country great, is instead a great evil and an instrument of exploitation. This is the line of the Socialists and Communists.

You would think from their statements that this country grew to be the greatest Nation on earth by doing everything wrong. It is a humiliating experience, it seems to me—and it must to you—to hear conditions on one's own country spoken of in a bitter way and the future spoken about in a bitter way. But we have all had that experience and we are having it right now.

What good would a tax reduction of 50 cents or even \$1.50 a week be to a man without a job?

What person with any sense of fiscal responsibility and real concern for the welfare of his fellow Americans would do this: seek personal political advantage from the shallow illusion of a meager tax cut if it means the very jobs upon which these fellow Americans depend for the livelihood of themselves and their families?

The Eisenhower tax program, as presented by the majority leadership of this House, gives over \$7 billion of tax relief to the American people. Yet it recognizes the very fundamentals of the free-enterprise system that is America.

It recognizes that everything produced is produced by the people. It recognizes that everything a government says it will

give the people, it first must take away from them.

It recognizes that only through the proper functioning of the free-enterprise system of this country—businesses, big and small—giving jobs to our people, can our people produce that which enables them to live, and to live with the highest standard of living ever known to any people of any land in any period of the world's history.

This Eisenhower tax program recognizes that you must have purchasers for the iron and steel that heavy industry produces, and for the hard goods that other vital industries of our land produce. For unless you find those purchasers, these industries close down and men's jobs are lost and families go hungry.

Our sound leadership recognizes that the products of these industries are not purchased by individuals out of 50 cents to \$1.50 per week—tax reductions, but by other businesses, big and small, which thus, directly or indirectly, employ the people of our country and must be kept employing them.

Our administration realizes that to keep our system working, to keep Americans employed, you must have purchasers for both soft goods and hard goods, that the incentives from tax reductions must be shared by individuals and those who employ them.

And we can thank the Heavenly Father that our administration has the courage to stand up for what is right for America and Americans in the face of politically inspired attacks on its tax programs. We can give thanks that men here in this House have the courage to stand fast on this great issue—stand beside their fellow Americans—see that a program passes this House that will give their fellow citizens a chance to enjoy the rewards of an expanding, dynamic, free-enterprise economy.

It is good to know that in this generation of Americans there are men who will stand up for what is right for America, just as there were men in past generations who possessed such courage. And by reason of that courage passed on to us today the great heritage that is our country.

It is good to sense right this moment, on the floor of this great deliberative body, a feeling of cool determination amongst us to see through what we normally know is right. It is good to sense at this moment a feeling of courageous determination to resist the irritations of personal political abuse and the temptation to do something for personal political gain that is not right for America.

In the last few days, Mr. Speaker, other aspects of this great issue were summed up by Mr. David Lawrence, a Democrat, much more forcefully than I can discuss them. By the unanimous consent of Members of the House of Representatives, I include extracts from his summation:

To pit class against class, to picture as enemies of the workingman the businessmen of the country whose genius of organization and creative ability has made millions of jobs and an expanding economy, is the basic purpose of Communist propaganda in America. But unhappily it is also the co-

incident objective today of the Democratic Party's leadership when it seeks, for partisan purposes, to wreck the national economy by forcing, if it can, a budget that will be unbalanced by \$8 billion to \$10 billion a year.

This is the real issue which has arisen in Congress as a consequence of a drive to win votes by removing many millions of persons from the tax rolls and at the same time choking the expansion of American business by defeating proposals that would stimulate capital investment. This could only result in a serious depression, a drastic curtailment of the American dollar's purchasing power, and a grave threat to private capitalism.

President Eisenhower's address was mild in tone, but it made a persuasive argument against the raid on the Treasury which has been begun by the Democrats, aided by some politically timid Republicans.

For many years now national socialism, whether in Nazi Germany or in Communist Russia, has condemned the American system of private capitalism. Nowhere in the world, however, have there been such a high standard of living and such high wages as the American workingman enjoys under the private capital system.

Private capitalism stands today at the crossroads in Congress. The Eisenhower administration came into power with the hope of undoing the insidious damage done by the "leftwingers" of the New Deal and Fair Deal—those who believed in huge financial deficits for the Treasury and in tax rates that have penalized the successful and the thrifty. Under the guise of liberalism, many of these radical Socialists have fought the Eisenhower administration, using frequently such terms as "millionaire administration" and a "rich man's cabinet"—all for the purpose of awakening bitter resentments among the people and creating a bitter feeling of class against class. It is even looked upon as a sin to invite into Government men who have been successful in business.

From the core of the controversy over taxes is whether or not the personal exemption, which is now at \$600, shall be increased to \$700—thus saving less than a dollar a week in taxes, and also relieving many millions of citizens from the payment of any income taxes at all. If the exemption is adopted by Congress, the whole job-creating plan of the administration—designed to ward off depression and encourage business expansion—will be imperiled and the Treasury will lose \$2.5 billion in revenue besides.

It is supposed to be politically popular in a year of congressional elections to vote to increase exemptions from taxes but, if it produces economic chaos and starts the Nation on the road to public bankruptcy, it is difficult to see how the wrecking crew itself can escape punishment at the polls.

The outcome of the vote in Congress on this issue will strengthen or shake public confidence, depending on whether common sense or demagoguery is triumphant. It will go far toward answering the question of whether in the coming decade a large-scale confiscation of private property can be avoided and America saved from leftwing radicalism—the twin brother of Communist socialism.

JOINT CONGRESSIONAL COMMITTEE ON INFORMATION, INTELLIGENCE, AND SECURITY

Mr. McCARTHY. Mr. Speaker, I ask unanimous consent to extend my remarks at this point.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. McCARTHY. Mr. Speaker, I have today introduced a joint resolution providing for the establishment of a Joint Congressional Committee on Information, Intelligence, and Security. This resolution provides that the committee be made up of 18 Members of Congress, 9 to be appointed from the Senate by the President of that body, and 9 from the House of Representatives by the Speaker of the House, providing further that, in each instance, not more than 5 Members shall be appointed from the same political party.

This joint committee is authorized to make continuing studies of the information, intelligence, and security activities of the Government of the United States. Included in its jurisdiction will be the United States Information Agency, the Central Intelligence Agency, and any units or officers of Government departments conducting intelligence, information, or security activities of the Government of the United States.

The need for coordination of these three general fields of activity is obvious. Last year Congress and the administration acted to centralize and coordinate all information activities in one agency. In his message accompanying Reorganization Plan No. 8 last year, President Eisenhower stated that activities of this type must be "subject to special guidance and control in view of their direct relation to the conduct of foreign policy and national security." The establishment of the USIA last year provided for such special guidance and control administratively, but Congress has failed to provide for similar control and direction by the legislative branch of the Government.

The need for coordinated direction and supervision of the information program is further demonstrated by the difficulties the information program has suffered in recent years. During the course of the last year the principal information agency of the Government was investigated by two different congressional committees. The findings of the two committees were in many respects contradictory, thus contributing to confusion in the public mind and in the minds of Members of Congress, not to mention the confusion of mind in foreign countries in which United States information offices were operating. More significant than the criticism of lack of efficiency and operations is the criticism of policies. Walter Lippmann, for example, has expressed the judgment that—

What goes by the name of psychological warfare in Washington * * * is a sorry substitute for an effective policy * * *. The real damage is done not to the adversary, but to ourselves.

Dorothy Thompson, in commenting on the paralysis in the Voice of America last summer, wrote:

The cause is lack of understanding of the prevailing state of mind in the world and failure to correctly analyze its mounting currents, with the result that our psychological warfare is without psychology and is bouncing right back on our own heads.

The Central Intelligence Agency, like the USIA, is an independent agency, and

is responsible to no one congressional agency. Coordination of intelligence work has been recognized as so important that administrative centralization has been provided. Congress should provide similar unified and centralized control also. Sensitive and highly secret work, such as that relating to atomic energy, has been capably and responsibly handled through the Committee on Atomic Energy. There is no reason to believe that a similar responsible committee on intelligence, information, and security could not be set up by the Congress. In recent months there has been growing criticism, expression of doubts, regarding the operations of the CIA. It is imperative, therefore, that Congress act to prevent the development of a situation similar to that which did develop with reference to the information agencies of the United States Government.

Intelligence, information, and security are so closely interrelated that joint supervision is desirable and necessary. Separate committees on each one of these activities, or the present system of multiple reporting to various congressional committees, cannot bring about coordination, or satisfactory overall policy and program determination. At best, they can merely check on the efficiency of piecemeal operations. The cause of better intelligence operations, better information activities, and a better security program should be advanced through the establishment of the joint committee recommended in this resolution.

THE TAX BILL

Mr. EBERHARTER. Mr. Speaker, I ask unanimous consent to extend my remarks at this point and include a letter from the Americans for Democratic Action outlining their position with respect to the present tax bill.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. EBERHARTER. Mr. Speaker, the letter is as follows:

AMERICANS FOR DEMOCRATIC ACTION,

March 18, 1954.

DEAR CONGRESSMAN: Americans for Democratic Action takes this occasion to bring to your attention some considerations which we think will prompt you to vote for the recommitment of the proposed Revenue Act of 1954. We believe that both equity and economic policy will be best served if instead of the proposed tax reduction on income from dividends, the House were to adopt an increase in the personal exemptions allowed under the individual income-tax law.

There appears to be general agreement that Federal revenues, and therefore Federal tax rates, must be maintained at high levels so long as our national security is threatened by Communist aggression. There is also agreement that this tax burden should be equitably apportioned among our people according to their ability to pay and in such a way as to preserve our standards of living and, at the same time, provide incentives and capital funds for economic growth.

The basic disagreement centers around the determination of the means by which these objectives can best be met. We submit that in making this determination the following considerations should weigh heavily in your decisions—

The dangers of inflation at present are much less than the dangers of underemployment of our resources, which are aggravating the recessionary trend in the economy.

The recovery from the economic decline can best be encouraged by a balanced combination of incentives to consumption and incentives to business investment. Adequate consumer demand is an absolute prerequisite to continued investment, and no attention has been given this aspect of the problem in the present bill.

Reasons of equity as well as economic reasons demand priority of tax relief for low-income families.

We submit, further, that the tax bill now before the House, when taken in conjunction with the tax changes already going into effect this year, does not give adequate weight to these considerations:

1. More than one-half of our families are now paying more taxes than they did in 1953, for the reduction in personal income taxes on January 1 was more than offset by social-security tax increase for those families with incomes of \$3,500 or less.

2. The repeal of the excess-profits tax has lightened the corporate tax burden and increased funds annually available for dividends or investment by \$2 billion.

3. The proposed reduction of excise-tax rates will add \$912 million to consumers' purchasing power, but disproportionately on luxuries and semiluxuries. The taxes on cigarettes and gasoline—the two common commodities most heavily taxed—have not been changed. (This is not to advocate that they should be reduced; we merely point to the limited effects of the reductions now being enacted.)

4. The general overhaul of the tax system contains several provisions which, in the misuse of the label "equity" may have far-reaching consequences in shifting the burden of taxes and in their economic and social effects. We refer especially to the more favorable treatment of depreciation of business assets, which will further lighten the burden of business taxes; and the tax credit for dividend income, which as it has been repeatedly pointed out, will result in \$240 million (\$840 million annually by 1956) in tax relief, almost all of it to a comparatively handful of high-income families. The argument of double taxation here is relevant only in the narrowest, most technical sense; all consumers and all businesses pay many taxes in many forms out of their incomes.

It seems to us that the net effect of these measures is not only inequitable but economically dangerous.

ADA believes the economic decline that has been in progress need not and should not be permitted to develop into a prolonged recession. We see little evidence to support the contention that the decline has been caused by the high level of personal or business tax rates or by lack of funds or incentives for investment. On the contrary, both profits (after taxes) and investment have been at record levels (2½ to 3 times prewar). Corporate earnings have provided incentives, and individual and corporate savings have provided ample funds, even at 1953 tax levels. There is nothing to dampen the rate of investment—except the prospect of a falling consumer market for the products and services of business.

Here is the difference between this decline and that of 1949-50. In 1949 there was still a residue of buoyant consumer demand deferred from the war years; today there is not. Consumers are well stocked and able to defer expenditures if they feel their future is uncertain. Additional spendable income in the hands of consumers is the most effective way to strengthen business incentive. The additional income to be gained from tax reduction should be channeled to families of the lower half of the income scale, for these families spend most of what they get; the evidence shows most of the saving is con-

fined to the upper reaches of the income scale.

This argues strongly on economic grounds for the increase of the personal exemption for the taxpayer, his spouse, and each dependent, for this will quickly add billions to the stream of purchasing power. In this case, reasons of equity support economic reasons: the present \$600 personal exemption has been severely depreciated by price increases since it was enacted in 1948.

We believe this is a matter of the greatest importance. Experience has shown that it is easier to stop a mild inflation than a decline; it is better to err on the side of caution rather than risk further protracted underemployment. The country, business, consumers, and the Treasury, have much more to lose by a decline in national income than by the loss of revenue by raising the exemption.

ADA, therefore, urges you to vote to recommend this bill with instructions to substitute increased personal exemptions for the present tax reduction on income from dividends.

Respectfully yours,

ROBERT R. NATHAN,
Chairman, Executive Committee, Americans for Democratic Action.

PHILADELPHIA ON BRINK OF DISTRESSED EMPLOYMENT AREA

Mr. BARRETT. Mr. Speaker, I ask unanimous consent to extend my remarks at this point.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. BARRETT. Mr. Speaker, There is every indication in my home city of Philadelphia that the unemployment situation is growing more serious by the day. According to last week's Bureau of the Census report, average unemployment throughout the country is approximately 6 percent. It is only logical to assume that this reflects large-scale unemployment in our larger cities where our large industrial forces are concentrated.

I strongly predict from my personal observation that Philadelphia already qualifies as a group IV—or distressed labor market—area. It is unfortunate that the Federal agencies which compile employment statistics do not report immediately significant changes in the labor market for the 10 largest cities of the United States, but rather make it a policy to release concurrently nationwide reports.

The latest information from the Bureau of Employment Security of the Labor Department indicates that Philadelphia now stands just below the cutoff for being classified as a distressed employment area. The cutoff figure is 6 percent and today's unemployment percentage for Philadelphia is 5.85 percent. The Labor Department considers several other factors in addition to the percentage of unemployment before making the final determination on classifying an area as "distressed." These include: Is the unemployment seasonal? Is it temporary? That is, are the employees on call-back status or are they stock workers? Does the area have facilities capable of fulfilling Federal procurement contracts?

Inasmuch as Philadelphia is merely a fraction of a percent—0.15 percent—be-

low the 6-percent cutoff level, and qualifies as a distressed labor market area as far as the other aforementioned factors are concerned, I believe it should immediately be given priority in the awarding of Government contracts. In fact, I would not be surprised if Philadelphia has already passed the 6-percent figure. I have repeatedly called to the attention of the administration the seriousness of Philadelphia's employment situation. I have pleaded that our area be given special consideration in the awarding of Government contracts, especially in the shipbuilding field. However, despite these pleadings and forewarnings, the administration has continued to treat Philadelphia like a stepchild, not giving it priority in contracts and continuing to direct large-scale reductions in force at the many Government installations which are in my congressional district, including the Philadelphia naval shipyard, the Marine Corps Depot, and the United States Army Quartermaster Depot.

In view of the urgency and importance of this situation, I think it appropriate to insert here a copy of my press release of Saturday, March 13, 1954, which includes the text of my telegram to the President on this subject:

In view of yesterday's Bureau of Census report that more than one-half million Americans joined the unemployment roster last month (February) bringing the total of unemployed in the country to 3,671,000, I have today sent to President Eisenhower the following telegram:

"In view yesterday's Bureau of Census report that unemployment throughout country increased half million during past month I strongly urge that you propose to Congress at this time your plan for stimulating business and increasing employment as indicated your press conference February 17, 1954. Although several public-works bills are pending before Congress undoubtedly the leaders of the House and Senate are awaiting your prescription for remedying the affliction of Nation which started like common cold several months ago and has now progressed to state of virus infection. The fever of unemployment is constantly and rapidly rising. All indications are that the malady will become worse unless research into causes abandoned temporarily in favor of emphasis on remedial measures. I strongly urge that you recommend to Republican leaders of House and Senate that priority be given to legislation pertaining to public works, distribution of surplus commodities to the needy at home, and Federal unemployment and welfare benefits. Delaying positive program for curbing unemployment until May as suggested by several Cabinet members may result in insufficient time for enactment necessary legislation prior congressional return to home and hustings."

Yesterday's alarming report of the Bureau of the Census followed close on the heels of the forecasts of Secretary of the Treasury Humphrey and Secretary of Labor Mitchell that unemployment would remain stable and business conditions would improve. There have been many attempts by the administration to disguise the serious implications of the last several census reports. The New Look at the cold facts promised by the administration is now scheduled for May. The excuse is given that the rise in unemployment in January reflects the end of the high retail activity during the Thanksgiving-Christmas season, the hin-

drance of outdoor business activities because of inclement weather, and the low ebb of the farm-labor cycle. It will be interesting to note the explanation given for the continued rise in unemployment in February, when manufacturing industries suffered the greatest loss.

When almost 4 million of a total civilian labor force of approximately 62 million are unemployed, this gives an unemployment figure of approximately 6 percent. When the Bureau of Labor Statistics reports that surplus labor exceeds 5 percent of the labor market in a given area, the Bureau of Employment Security designates that area as group IV—or a distressed labor area. It should follow then that if average unemployment through the entire country exceeds 5 percent—and it does—the Government should consider this a crisis and take immediate steps to induce business activities throughout the country and promote public-works projects.

All indications are that the so-called healthy transition from a wartime to a peacetime economy was never injected with the proper antibiotics, and the economy of our country has almost lapsed into a coma. It is incumbent upon the Federal Government to offer a remedy now and not continue to wait for the temporary seasonal stimuli of the summer months. There could be no more appropriate time than the Ides of March to disperse the clouds of potential disaster that are accumulating throughout the country.

A positive program for insuring full employment is sorely needed now. Relief rolls in major cities throughout the country have been rapidly climbing. While these persons await their meager checks, the administration slowly ponders over whether to offer surplus commodities from our bulging warehouses to them or to send them abroad. How could there be any question as to who is more entitled to these surpluses?

The almost 4 million unemployed in the country are not primarily concerned at this time as to whether there will be a reduction in excise taxes or personal income taxes. They do not have the assurance of any type of income. I strongly urge that the administration's leaders in Congress give priority to public works projects over all other legislation. While I am wholeheartedly in favor of reducing or repealing of excise taxes and increasing personal income tax exemptions up to \$1,000, I believe that the first obligation of the Government is to the unemployed.

Unless the administration immediately diverts its attentions from intra- and inter-party political feuds, it may find itself repeating the history of the early thirties. So much time is being devoted to arguing over the methods of detecting Communists that the responsible authorities are losing sight of the greatest breeder of communism—unemployment.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

Mr. HALLECK. Mr. Speaker, I ask unanimous consent for the immediate consideration of House Resolution 478.

The Clerk read the resolution, as follows:

Resolved, That powers and duties conferred upon the chairman of the Committee on Merchant Marine and Fisheries by House Resolution 197 and House Resolution 198 of the 83d Congress may be exercised during the absence of the chairman of that committee by the next ranking majority member thereof until otherwise ordered by the House.

The resolution was agreed to, and a motion to reconsider was laid on the table.

VETERANS' LEGISLATION

The SPEAKER. Under previous order of the House, the gentlewoman from Massachusetts [Mrs. ROGERS] is recognized for 5 minutes.

Mrs. ROGERS of Massachusetts. Mr. Speaker, I am happy to tell the House that yesterday the President signed two bills of considerable importance to the veterans of this country. The first bill which was sponsored by the gentleman from Pennsylvania [Mr. BONIN] is now Public Law 308. It affects insurance cases, both World War I and World War II veterans.

The law, as amended by Public Law 308, provides that in any case in which a contract or policy of insurance is canceled after the date of enactment because of fraud that the Veterans' Administration is authorized to refund to the insured, if living, or if deceased, to the person designated as beneficiary, all the money, without interest, paid as premiums on such insurance contract subsequent to 2 years after the date of issuance. In effect, this means, for example, if a veteran dies and the beneficiary makes application for the proceeds of the policy a fraud is found to exist all the premiums paid after the 2-year period will be refunded to the beneficiary. Prior to the enactment of this law the beneficiary or the insured received nothing in return. Two years' premiums were withheld on the basis that the administrative cost to the Government should be reimbursed in this amount.

The second bill approved by the President is Public Law 311 sponsored by the gentleman from Ohio [Mr. SECREST.] This law provides that a rating of total disability or permanent total disability which has been made for compensation, pension, or insurance purposes under VA laws which has been continuously in force for 20 or more years shall not thereafter be reduced. The net effect of the law is to prevent future physical examination in the case of veterans who have had such a disability for 20 continuous years. In practice, veterans prior to the enactment of this law were called in from time to time for periodic examination. In nearly all cases there was never any change in the rating. It was thus a waste of administrative funds to have these periodic reexaminations. I believe that this measure will be a real safeguard to the veteran and at the same time provide some small savings to the Government.

PROVIDING DIRECT LOANS TO VETERANS

Mr. ROGERS of Massachusetts. Mr. Speaker, I also want to announce to the House that on Monday morning at 10:30 a. m., the Committee on Rules has called a meeting of that committee to hear the application for a rule on the Ayres bill, introduced by the gentleman from Ohio [Mr. AYRES], which will extend for a year direct loans to veterans and also provide \$100 million for that purpose. That also will be of great benefit to veterans.

GENERAL LEAVE TO EXTEND

Mr. HALLECK. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days to extend their remarks in the Record just preceding the address of the gentleman from Texas [Mr. RAYBURN].

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

EXTENSION OF REMARKS

By unanimous consent, permission to extend remarks in the Record, or to revise and extend remarks was granted to:

Mr. JACKSON.

Mr. MARTIN of Iowa the remarks he made in the Committee of the Whole today and include certain tables.

Mrs. FRANCES P. BOLTON.

Mr. BYRNES of Wisconsin (at the request of Mr. HALLECK) to revise and extend his remarks in Committee of the Whole and to include extraneous matter.

Mr. HALLECK to revise and extend his remarks in Committee of the Whole and to include extraneous matter.

Mr. REED of New York.

Mr. WOLVERTON.

Mr. O'KONSKI in two instances.

Mr. D'EWART and to include extraneous matter.

Mr. PHILBIN in three instances.

Mr. WILLIAMS of New Jersey and to include a statement.

Mr. MCCORMACK and to include an editorial in remarks made by him in Committee of the Whole today.

Mr. BYRD in two instances.

SENATE ENROLLED BILLS SIGNED

The SPEAKER announced his signature to enrolled bills of the Senate of the following titles:

S. 54. An act for the relief of Juan Ezcurra and Francisco Ezcurra;

S. 316. An act for the relief of Vera Lazaros and Cristo Lazaros;

S. 551. An act for the relief of Mamertas Cvirka and Mrs. Petronele Cvirka;

S. 850. An act for the relief of Alice Power and Ruby Power;

S. 931. An act for the relief of Vilhjalmur Thorlaksson Bjarnar;

S. 1038. An act for the relief of Silva Galjevscek;

S. 1137. An act for the relief of Utako Kanitz;

S. 1440. An act for the relief of Paolo Danesi;

S. 1652. An act for the relief of Robert A. Tyrrell; and

S. 2073. An act for the relief of Esther Wagner.

ADJOURNMENT

Mr. HALLECK. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 35 minutes p. m.), under its previous order, the House adjourned until Monday, March 22, 1954, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1371. A letter from the Assistant Secretary of Agriculture, transmitting the report on cooperation of the United States with Mexico in the control and eradication of foot-and-mouth disease, for the month of January 1954, pursuant to Public Law 8, 80th Congress; to the Committee on Agriculture.

1372. A letter from the Acting Commissioner, Immigration and Naturalization Service, Department of Justice, transmitting copies of orders granting the applications for permanent residence filed by the subjects, pursuant to section 4 of the Displaced Persons Act of 1948, as amended; to the Committee on the Judiciary.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. HAGEN of Minnesota: Committee on Post Office and Civil Service. Part 2, additional minority views on H. R. 6052. A bill to readjust postal rates and for other purposes (Rept. No. 1252). Referred to the Committee of the Whole House on the State of the Union.

Mr. DEVEREUX: Committee on Armed Services. H. R. 8247. A bill to provide for the restoration and maintenance of the U. S. S. Constitution, and to authorize the disposition of the U. S. S. Constellation, U. S. S. Hartford, U. S. S. Olympia, and U. S. S. Oregon, and for other purposes; without amendment (Rept. No. 1367). Referred to the Committee of the Whole House on the State of the Union.

Mr. MILLER of Nebraska: Committee on Interior and Insular Affairs. H. R. 4690. A bill to provide for the erection of appropriate markers in national cemeteries to honor the memory of members of the Armed Forces missing in action; without amendment (Rept. No. 1368). Referred to the Committee of the Whole House on the State of the Union.

Mr. DEVEREUX: Committee on Armed Services. H. R. 2225. A bill to provide for sundry administrative matters affecting the Department of Defense, and for other purposes; with amendment (Rept. No. 1369). Referred to the Committee of the Whole House on the State of the Union.

Mr. KEATING: Committee on the Judiciary. S. 984. An act making provision for judicial review of certain Tax Court decisions; with amendment (Rept. No. 1370). Referred to the Committee of the Whole House on the State of the Union.

Mr. JACKSON: Committee on Foreign Affairs. S. 1456. An act to amend the act entitled "An act to authorize a permanent annual appropriation for the maintenance and operation of the Gorgas Memorial Laboratory," approved May 7, 1923, as amended; without amendment (Rept. No. 1371). Referred to the Committee of the Whole House on the State of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar as follows:

Mr. GRAHAM: Committee on the Judiciary. S. 208. An act for the relief of Sister Constantina (Teresia Kakonyi); without amendment (Rept. No. 1362). Referred to the Committee of the Whole House.

Mr. HYDE: Committee on the Judiciary. S. 532. An act for the relief of Giulio Squillari, Mrs. Maggiorina Barbero Squillari, Rosanna Squillari, and Eugenio Squillari; without amendment (Rept. No. 1363). Referred to the Committee of the Whole House.

Mr. GRAHAM: Committee on the Judiciary. S. 1209. An act for the relief of Dr. Uheng Khoo; without amendment (Rept. No. 1364). Referred to the Committee of the Whole House.

Mr. GRAHAM: Committee on the Judiciary. S. 1937. An act for the relief of Rev. Francis T. Dwyer and Rev. Thomas Morrissey; without amendment (Rept. No. 1365). Referred to the Committee of the Whole House.

Mr. GRAHAM: Committee on the Judiciary. S. 2534. An act for the relief of Dora Vida Lyew Seixas; without amendment (Rept. No. 1366). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred, as follows:

By Mr. ALBERT:

H. R. 8455. A bill to amend the Agricultural Act of 1949 to provide a limitation on the downward adjustment of price supports for milk and butterfat and the products of milk and butterfat; to the Committee on Agriculture.

By Mr. COLMER:

H. R. 8456. A bill to provide for the conveyance of certain hospital supplies and equipment of the United States to the city of Gulfport and to Harrison County, Miss.; to the Committee on Armed Services.

By Mr. DAVIS of Georgia:

H. R. 8457. A bill to amend the Classification Act of 1949, as amended, and the Federal Employees Pay Act of 1945, as amended, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. EDMONDSON:

H. R. 8458. A bill to amend the Agricultural Act of 1949 to provide a limitation on the downward adjustment of price supports for milk and butterfat and the products of milk and butterfat; to the Committee on Agriculture.

By Mr. ELLIOTT:

H. R. 8459. A bill to amend the act entitled "An act to authorize the operation of stands in Federal buildings by blind persons, to enlarge the economic opportunities of the blind, and for other purposes"; to the Committee on Education and Labor.

By Mr. FISHER:

H. R. 8460. A bill to provide for payment to members of the Armed Forces of compensation at the rate of \$1 per day for each day spent in hiding during World War II to evade capture by the enemy; to the Committee on Interstate and Foreign Commerce.

By Mr. HOLT (by request):

H. R. 8461. A bill to amend the Fair Labor Standards Act of 1938, as amended; to the Committee on Education and Labor.

H. R. 8462. A bill to amend section 2 (2) of the National Labor Relations Act; to the Committee on Education and Labor.

H. R. 8463. A bill to amend section 2 (2) of the National Labor Relations Act; to the Committee on Education and Labor.

By Mr. MAGNUSON:

H. R. 8464. A bill to amend the Agricultural Act of 1949 to provide a limitation on the downward adjustment of price supports for milk and butterfat and the products of milk and butterfat; to the Committee on Agriculture.

By Mr. WICKERSHAM:

H. R. 8465. A bill to amend the Agricultural Act of 1949 to provide a limitation on the downward adjustment of price supports for milk and butterfat and the products of milk and butterfat; to the Committee on Agriculture.

By Mr. BARRETT:

H. R. 8466. A bill to amend the Internal Revenue Code so as to increase the personal exemption and the exemption for dependents to \$800 for the 1954 taxable year and to \$1,000 for succeeding taxable years; to the Committee on Ways and Means.

By Mr. BROYHILL:

H. R. 8467. A bill to establish a commission to study passenger-carrier facilities and services in the Washington metropolitan area, and for other purposes; to the Committee on the District of Columbia.

By Mr. LESINSKI:

H. R. 8468. A bill to amend the Civil Service Retirement Act of May 29, 1930, as amended, to provide annuities for certain former employees separated prior to April 1, 1948, on a basis equal to that applicable to those separated on or after April 1, 1948, and for other purposes; to the Committee on Post Office and Civil Service.

H. R. 8469. A bill to amend the Civil Service Retirement Act of May 29, 1930, as amended, to allow survivorship options on an equal basis for all persons having annuity rights under such act; to the Committee on Post Office and Civil Service.

By Mr. LOVRE:

H. R. 8470. A bill to amend the Internal Revenue Code to provide that the tax on admissions shall not apply in the case of admissions to certain rodeos; to the Committee on Ways and Means.

By Mr. MCCARTHY:

H. J. Res. 473. Joint resolution establishing a Joint Committee on Information, Intelligence, and Security; to the Committee on Rules.

By Mr. BROOKS of Louisiana:

H. J. Res. 474. Joint resolution providing for a report of public-works planning by the Bureau of Reclamation, Corps of Engineers, and the Bureau of Public Roads; to the Committee on Public Works.

By Mr. STRINGFELLOW:

H. J. Res. 475. Joint resolution establishing a Joint Committee on Internal Security; to the Committee on Rules.

By Mr. SCHERER:

H. Con. Res. 214. Concurrent resolution expressing the sense of Congress that the Sanitary Engineering Center, Cincinnati, Ohio, should be known as the Robert A. Taft Sanitary Engineering Center; to the Committee on Public Works.

By Mr. HESS:

H. Con. Res. 215. Concurrent resolution expressing the sense of Congress that the Sanitary Engineering Center, Cincinnati, Ohio, should be known as the Robert A. Taft Sanitary Engineering Center; to the Committee on Public Works.

By Mr. RICHARDS:

H. Con. Res. 216. Concurrent resolution establishing a Joint Committee on Central Intelligence; to the Committee on Rules.

MEMORIALS

Under clause 4 of rule XXII, memorials were presented and referred as follows:

By Mr. LANE:

Memorial of the General Court of Massachusetts memorializing the Congress of the United States to enact legislation requiring

a study relative to the effect of inshore dragging on ground fish populations; to the Committee on Merchant Marine and Fisheries.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mrs. FRANCES P. BOLTON:

H. R. 8471. A bill for the relief of George Tyson Campbell; to the Committee on the Judiciary.

By Mr. CARNAHAN:

H. R. 8472. A bill for the relief of William R. Fleetwood; to the Committee on the Judiciary.

By Mr. HARRISON of Nebraska:

H. R. 8473. A bill for the relief of Ursula Knobloch Perry; to the Committee on the Judiciary.

By Mr. HOLT (by request):

H. R. 8474. A bill for the relief of Anton and Rosana (Rosana) Jugo; to the Committee on the Judiciary.

By Mr. HOPE:

H. R. 8475. A bill for the relief of Mrs. Katherine B. Bennett; to the Committee on the Judiciary.

By Mr. KEATING:

H. R. 8476. A bill for the relief of Mrs. Isolde Frohne; to the Committee on the Judiciary.

By Mr. KLEIN:

H. R. 8477. A bill for the relief of Miriam Leser; to the Committee on the Judiciary.

By Mr. LANE:

H. R. 8478. A bill for the relief of Kerop and Ardemis Nahabedian; to the Committee on the Judiciary.

By Mr. MACHROWICZ:

H. R. 8479. A bill for the relief of Marek S. Korowicz; to the Committee on the Judiciary.

By Mr. RAY:

H. R. 8480. A bill for the relief of Caterina Ruello; to the Committee on the Judiciary.

By Mr. GRAHAM:

H. J. Res. 476. Joint resolution to confer jurisdiction on the Attorney General to determine the eligibility of certain aliens to benefit under section 6 of the Refugee Relief Act of 1953; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

565. By Mr. JENKINS of Ohio: Petition of 41 citizens of Meigs County, Ohio, protesting against the passage of S. 2150, a bill to provide for United States participation in the construction of the St. Lawrence seaway; to the Committee on Public Works.

566. By the SPEAKER: Petition of the chairman, The U. S. Flag Committee, Jack-

son Heights, Long Island, N. Y., expressing their endorsement of House Joint Resolution 243, which calls for an amendment to the pledge of allegiance to the flag of the United States; to the Committee on the Judiciary.

567. Also, petition of the president, United Neighbors, Inc., Los Angeles, Calif., relative to constitutional amendment—United States Supreme Court decision—*Barrows v. Jackson*; to the Committee on the Judiciary.

568. Also, petition of the chairman, State Legislative Council, Oklahoma City, Okla., transmitting a supplementary statement to a resolution submitted by the roads and highways committee pertaining to H. R. 7124; to the Committee on Public Works.

569. Also, petition of the city clerk, Ansonia, Conn., concerning unemployment in the city of Ansonia, Conn.; to the Committee on Ways and Means.

570. Also, petition of Lawrence J. Fontana, St. Louis, Mo., requesting that action be taken against the excessive imports of foreign bicycles into this country; to the Committee on Ways and Means.

571. Also, petition of the chairman, Lithuanian Independence Day Committee, Melrose Park, Ill., relative to voicing gratitude to the Government of the United States for its steadfast adherence to the principles of morality and democracy in international relations and for the support constantly extended to the cause of independence of Lithuania; to the Committee on Foreign Affairs.

EXTENSIONS OF REMARKS

Anacostia River Flood-Control Project

EXTENSION OF REMARKS

OF

HON. JOHN MARSHALL BUTLER

OF MARYLAND

IN THE SENATE OF THE UNITED STATES

Thursday, March 18, 1954

Mr. BUTLER of Maryland. Mr. President, I ask unanimous consent to have printed in the RECORD a statement which I made on February 16, 1954, before the Army Civil Functions Subcommittee of the Senate Committee on Appropriations, in support of Federal appropriations to enable the start of the Anacostia River flood-control project.

My purpose in inserting this statement is twofold: First, again last week the Peace Cross—Bladensburg, Md., area—was inundated by floodwaters; second, very shortly the Senate will be called upon to approve appropriations for Army civil functions, included in which are funds for this essential project.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

ANACOSTIA RIVER FLOOD-CONTROL PROJECT

(Statement by Hon. JOHN MARSHALL BUTLER, of Maryland)

I deeply appreciate this opportunity to give you my views with regard to appropriations for the Anacostia River flood-control project. To me, it has been especially encouraging to note that this appropriation, among others, was recommended by President Eisenhower in his recent budget message.

In recent weeks I have sent to each member of the Senate Appropriations Committee an analysis of the intolerable conditions which occur much too frequently in the vicinity of the Peace Cross near Bladensburg, Md. The focal point of the Anacostia River

flood-control project surrounds this area. Your very kind responses to my correspondence have given me renewed hope and optimism that finally, after too many years, this essential flood-control project will be commenced.

Very briefly may I outline those significant factors which have moved me to advocate so strenuously the approval of this particular appropriation? In my judgment, these points are well reasoned and are as follows:

1. The periodic floods in the vicinity have resulted in many, many years of deplorable hazard, serious inconvenience, and unnecessary damage to property, to say nothing of the fact that highway transportation is obstructed for lengthy intervals. The seriousness of this situation, as it relates to the defense of the Nation's capital cannot be minimized, and in my opinion, these untenable and recurrent conditions cannot be permitted to continue.

2. From a civil defense standpoint, highways—alternate Route 1 and Route 50—passing through Peace Cross have been designated by the Department of Defense as first priority military highways for the movement of military vehicles and equipment. In the event of a military emergency, the inundation of Peace Cross by flood waters would present very serious problems which would confound our military and civil defense forces and greatly contribute to mass hysteria.

3. In 1953 there were 20 floods at the Peace Cross, and it is estimated that 35,000 automobiles per day use this arterial highway intersection. In the opinion of experts, this is one of the most heavily congested surface intersections in the country. At flood stage it requires little imagination to visualize the tremendous congestion and confusion.

4. Quite naturally, a tremendous number of Government employees use these vital traffic arteries in traveling from their homes in Maryland to their offices and return, and this number increases each year with the growing population density and residential development in nearby Maryland. With this point in mind, and realizing that for

29 days in 1952 (often for 111 consecutive hours) and 32 days in 1953 (often for as long as 144 consecutive hours) the Peace Cross was under water, a great many man-hours resulting from lateness or absence can be accumulated, which, when computed in terms of nonproductive wages and salaries, could result in a sizable sum of wasted Federal funds. Such a situation is certainly and completely inconsistent with the objectives of efficiency and economy as expressed by President Eisenhower and the new administration.

5. A project to protect the area is part of a more comprehensive flood-control and navigation project for the Anacostia River and tributaries, authorized by Congress in the Flood Control Act approved May 14, 1950, in accordance with the recommendations of the Chief of Engineers as contained in House Document 202, 81st Congress. The plan of improvement provides in general for channel improvement along the river and its northeast and northwest branches, together with the construction of levees, pumping plants, and appurtenant facilities.

6. The General Assembly of the State of Maryland, in 1953 likewise gave special attention to this problem by authorizing the expenditure of \$4,250,000 to carry out the State's obligation of the flood-control plan as prepared by the Corps of Engineers, United States Army. However, there is a qualification on this money which requires that the Congress must make available a minimum appropriation as evidence that the Federal Government is prepared to meet its obligation.

7. In the absence of Federal funds, the State of Maryland has proposed measures which might alleviate, in part, these serious circumstances. The Maryland State Roads Commission would expend \$600,000 to raise the level of certain main and arterial roads. Frankly, I believe that such steps are impractical and inconsistent with the planning of the project. Conceivably, and there is much authoritative opinion to substantiate this point, these roads would require further alteration when construction of the entire